Support for Farmers' Cooperatives

Country Report
Romania

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European Commission

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***Country Report* Romania**

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Preface and acknowledgements

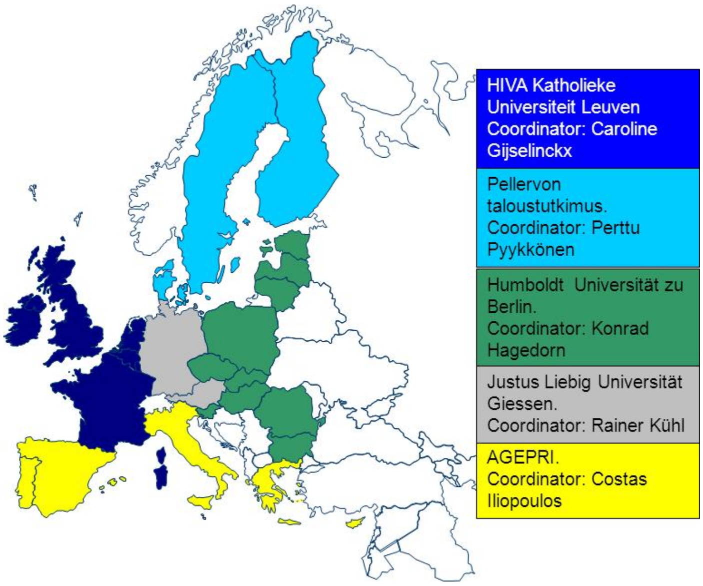
In order to foster the competitiveness of the food supply chain, the European Commission is committed to promote and facilitate the restructuring and consolidation of the agricultural sector by encouraging the creation of voluntary agricultural producer organisations. To support the policy making process DG Agriculture and Rural Development has launched a large study, "Support for Farmers' Cooperatives", that will provide insights on successful cooperatives and producer organisations as well as on effective support measures for these organisations. These insights can be used by farmers themselves, in setting up and strengthening their collective organisation, and by the European Commission in its effort to encourage the creation of agricultural producer organisations in the EU.

Within the framework of the SFC project this country report on the evolution of agricultural cooperatives in Romania has been written.

Data collection for this report has been done in the summer of 2011.

In addition to this report, the project has delivered 26 other country reports, 8 sector reports, 33 case studies, 6 EU synthesis reports, a report on cluster analysis, a study on the development of agricultural cooperatives in other OECD countries, and a final report.

The Country Report Romania is one of the country reports that have been coordinated by Konrad Hagedorn and Renate Judis, Humboldt Universität zu Berlin. The following figure shows the five regional coordinators of the "Support for Farmers' Cooperatives" project.



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1 Introduction

1.1 Objective of the study

The imbalances in bargaining power between the contracting parties in the food supply chain have drawn much attention, also from policy makers. The European Commission is committed to facilitate the restructuring of the sector by encouraging the creation of voluntary agricultural producer organisations. DG Agriculture and Rural Development has launched a large study, “Support for Farmers' Cooperatives”, that will provide the background knowledge that will help farmers organise themselves in cooperatives as a tool to consolidate their market orientation and so generate a solid market income. In the framework of this study, this report provides the relevant knowledge from Romania.
In this context, the specific objectives of the project, and this country report, are the following:
First, to provide a comprehensive description of the current level of development of cooperatives and other forms of producer organisations in Romania. The description presented in this report will pay special attention to the following drivers and constraints for the development of cooperatives:

- Economic and fiscal incentives or disincentives and other public support measures at regional and national;
- Legal aspects, including those related to competition law and tax law;
- Historical, cultural and sociologically relevant aspects;
- The relationship between cooperatives/POs and the actors of the food chain;
- Internal governance of the cooperatives/POs.

Second, identify laws and regulations that enable or constrain cooperative development and third, to identify specific support measures and initiatives which have proved to be effective and efficient for promoting cooperatives and other forms of producer organisations in the agricultural sector in Romania.

1.2 Analytical framework

There are at least three main factors that determine the success of cooperatives in current food chains. These factors relate to (a) position in the food supply chain, (b) internal governance, and (c) the institutional environment. The position of the cooperative in the food supply chain refers to the competitiveness of the cooperative vis-à-vis its customers, such as processors, wholesalers and retailers. The internal governance refers to its decision-making processes, the role of the different governing bodies, and the allocation of control rights to the management (and the agency problems that goes with delegation of decision rights). The institutional environment refers to the social, cultural, political and legal context in which the cooperative is operating, and which may have a supporting or constraining effect on the performance of the cooperative. Those three factors constitute the three building blocks of the analytical framework applied in this study (Figure 1).

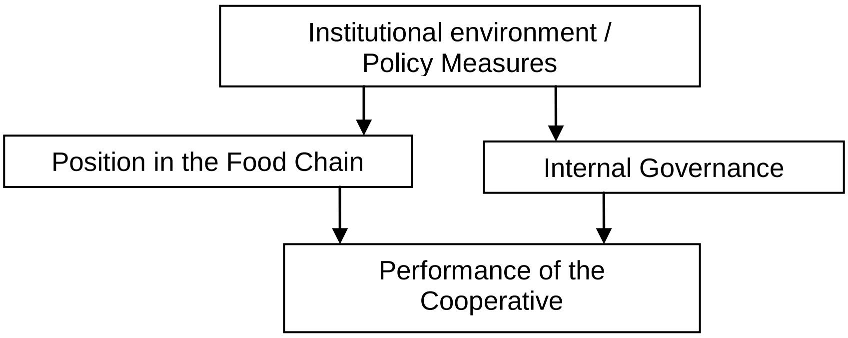


Figure 1. The core concepts of the study and their interrelatedness

1.3 Definition of the cooperative

In this study on cooperatives and policy measures we have used the following definition of cooperatives and Producer Organisations (POs). A cooperative/PO is an enterprise characterized by user-ownership, user-control and user-benefit:

- It is user-owned because the users of the services of the cooperative/PO also own the cooperative organisation; ownership means that the users are the main providers of the equity capital in the organisation;
- It is user-controlled because the users of the services of the cooperative/PO are also the ones that decide on the strategies and policies of the organisation;
- It is for user-benefit, because all the benefits of the cooperative are distributed to its users on the basis of their use; thus, individual benefit is in proportion to individual use.

This definition of cooperatives and POs (from now on shortened in the text as cooperatives) includes cooperatives of cooperatives and associations of producer organisation (often called federated or secondary cooperatives).

1.4 Method of data collection

Multiple sources of information have been used, such as databases, interviews, academic and trade/agriculture journal articles, press releases, economic newspaper articles. The used databases are from the National Institute of Statistics, Ministry of Agriculture and Rural Development, FADN, Eurostat and a database from DG Agri on the producer organisations in the fruit and vegetable sector. The databases provided by Amadeus and Copa-Cogeca unfortunately could not be used in this case. In addition, information on individual cooperatives has been collected by studying corporate publications and general websites, as most of the cooperatives do not have one. Also, annual reports of cooperatives are not available on the internet and there are no national structures that represent exclusively cooperatives or that have an evidence of their existence. As it is quite a dynamic sector, the data base of the Ministry of Agriculture or the National Office for Agricultural Consultancy proved to be obsolete, and sometimes the found data did not match. Interviews have been conducted with representatives of cooperatives, managers and board members of individual cooperatives, and academic or professional experts on cooperatives.

1.5 Period under study

This report covers the period from 2007 (year of Romania's accession to the EU) to 2010 and presents the most up-to-date information. However, where recent information was not available, or older data was relevant (starting with year 2000), I included it in the research. This refers to both the factual data that has been collected and the literature that has been reviewed.

2 Facts and figures on agriculture

2.1 Share of agriculture in the economy

A study of farmers' cooperatives can best start at the farmers' side, in agriculture.

In 2007, agriculture's share in the GDP was 6% as compared to 12.6% in 2004 (Graph 1). The big fluctuations from one year to another are the result of unfavourable weather conditions rather than declining efficiency of production. In 2010, according to the Romanian National Institute of Statistics (NIS), agriculture's share in GDP was of 6%.[1]

A 2009 World Bank study characterizes Romanian agriculture as being split up and obsolete, in need of major investments in order to help farmers increase efficiency and competitiveness.[2]

Romania's agricultural area amounts to 14.7 million ha, of which 10 million represent arable lands. According to the 2010 Agricultural Census, 2.238.000 ha of agricultural land was not operated. As regards the operated land, 7.445.000 ha belong to agricultural exploitations without juridical personality (55.99%), and 5.853.000 ha (44.01%) belong to exploitations with juridical personality.[3] It is important to mention that Romanian agriculture is characterized by the coexistence of a very large number of small individual farms and a few very large (more then 10 000 ha) exploitations owned by individuals or foreign companies. According to Forbes Romania, some of the biggest owners of land (50-65 000 ha) are Romanians, and it is a paradox of the Romanian agriculture the coexistence of so many small-scaled exploitations and together with some of the biggest in Europe.[4]

1 Revista Capital: "Cu cat contribuie agricultura romaneasca la PIB?" August 13th, 2011 ("What is the share of agriculture in GDP?") http://www.capital.ro/detalii-articole/stiri/cu-cat-contribuie-agricultura-romaneasca-la-pib-vezi-o-comparatie-cu-tarile-din-europa-de-est.html

2 Romania Country Profile, World Bank: http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTECASUMECSSD/0,,contentMDK:20772691~menuPK:2186722~pagePK:51246584~piPK:51241019~theSitePK:1587162,00.html

3 Recensamantul General Agricol 2010 (The General Agricultural Census 2010)-provisionally results-June 2011 (http://www.madr.ro/pages/recensamant/rga-rezultate-provizorii-iunie-2011.pdf)

4 "Cine face legea in agricultura autohtona?", Forbes Romania no. 45, March 2011 (http://www.forbes.ro/Cine-face-legea-in-agricultura-autohtona_0_15.html)

Table 1. Agricultural exploitations and agricultural surfaces according to the 2010 Census

Juridical status of the agricultural exploitation	**Total of agricultural exploitations (no)**	**agricultural exploitations that use agricultural land (no)**	**Used agricultural land**	**Agricultural land /agricultural exploitation (ha)**	**Agricultural land /agricultural exploitation that uses agricultural land (ha)**
A. e. without juridical personality	3825576	3691669	7445336.63	1.95	2.02
A.E. with juridical personality	30669	30216	5852854.26	190.84	193.7
Autonomous societies	50	50	16170.65	323.41	323.41
Agricultural associations/societies	1390	1379	556785.69	400.57	403.76
Commercial societies with mostly private ownership	16410	16015	3169418.39	193.14	197.9
Commercial societies with mostly state ownership	72	72	3553.99	49.36	49.36
Institutes, research units, schools with agricultural profile	177	175	50976.71	288	291.3
Local councils	2722	2721	1566747.77	575.59	575.8
Other public institutions	353	349	32062.61	90.83	91.87
Cooperatives	68	67	8176.22	120.24	122.03
Others (foundations, churches, etc.)	9427	9388	448962.23	47.63	47.82
TOTAL	**3856245**	**3721885**	**13298190.89**	**3.45**	**3.57**

Source: Recensamantul General Agricol 2010 (The General Agricultural Census 2010)-provisionally results-June 2011

Romanian agricultural production and technology still has a long way to go to catch up with other European countries. “Made in Romania” products are scarce on external markets, while imports have been rising from year to year. Romania, that during the world wars was considered the breadbasket of Europe, has at present become a net importer of products, such as meat and fruits. Among foreign investors, some gigantic companies that made investments of hundreds of millions of euros, (e.g. Smithfield Foods, Cargill, Bunge, Glencore, Lactalis, and Meggle) are present on the Romanian market.

Regarding workforce, around 3 million Romanians work in agriculture which makes about 30% of the total labour force (August 2009).[5] In Western European countries, this rate averages only 4-5%. Many of them are owners, but 40% operate less than 1 ha.

It is important to mention the social structure of Romanian rural environment: subsistence agriculture hides the lack of opportunities, real unemployment and poverty. The greatest share of the production of small farms is used for self-consumption and not for trade. Thus income from agriculture contributes only with 2.8% to incomes from all households and 20.6% in the case of agricultural households.[6]

The major problems of the Romanian agriculture are: (1) the lack of major investments in agriculture. This is not due to lack of money but rather to accessing it, (2) the excessive land fragmentation, (3) the litigations linked to property and (4) precarious technology. Romanian products do not always correspond to the quality standards of the EU, while imported merchandise is omnipresent in Romanian stores.

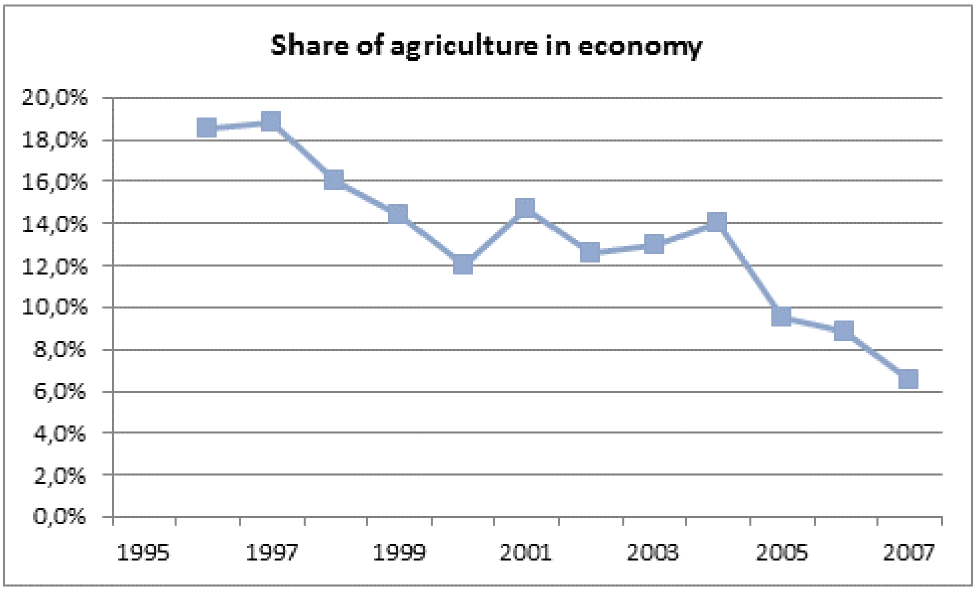


Figure 2. Share of agriculture in GDP Source: Eurostat Nat. Accounts

2.2 Agricultural output per sector

Within agriculture several sectors exist. Figure 3 provides information on the main sectors in Romania.

5 Agricultura Romaniei in cifre, Noiembrie 2010 (Romania's Agriculture in Numbers), publication of the Ministry of Agriculture and Rural Development

6 Report of the Presidential Commission on Social Risks and Demography, Bucharest, 2009

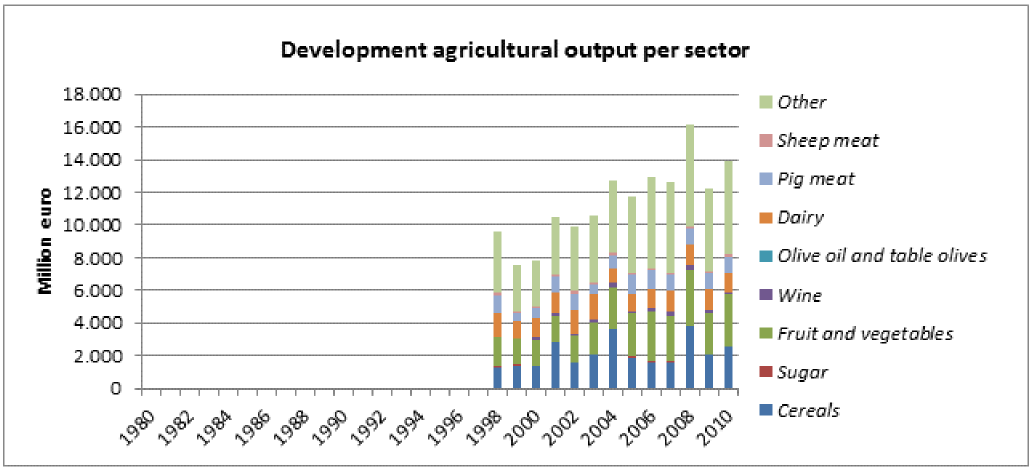


Figure 3. Development of the different sectors in agriculture, value of production at producer prices, in millions of euro. Source: Agriculture Economic Accounts, Eurostat

The main sectors of Romanian agriculture are the production of cereals, oilseeds, fruits and vegetables, dairy, pig meat, etc. Almost 60% of the arable area is covered with cereals, 13.5% are oilseeds, 6 % vegetables, and 9% fodder crops.

Cereal production represents an important sector in Romanian agriculture. In 2007, more than 60% of the agricultural production was destroyed by drought and Romania's wheat production was of 3 million tons, the smallest since 1940. 2008 was a good year again with a wheat production of 7.4 million tons.

According to the National Institute of Statistics, in 2009, the average wheat production in Romania was of 2341 kg/ha, the smallest in Europe (compared to 8280 kg/ha in Great Britain, 3850kg/ha in Hungary, 3190 kg/ha in Bulgaria). Although Romania ranks 4th in Europe (after France, Germany and Poland) for the wheat cropping area, it is only at the 7th rank for wheat production, owing to the low efficiency. The same lack of efficiency can be observed in corn production (1st place in cropping area but only 2nd rank in production amounts, with a very low 3417 kg/ha as compared to, for instance, 6398 kg/ha in Hungary and 9943 kg/ha in Spain).

In conclusion, although the production of cereals represents such an important part of Romanian agriculture, production is characterized by low efficiency compared to other European states as well as by vulnerability to meteorological conditions.

Table 2. Cultivated area under cereals (000 ha)

Sector	Cropping Area (000 ha)				Production (000 tons)			
	2007	2008	2009	2010	2007	2008	2009	2010
cereals-total	5129.2	5210.7	5282.4	5066.4	7814.8	16826.4	14873	16496
Wheat + rye	1987.1	2123.3	2164.3	2060.5	3065.0	7212,4	5235.5	5727.4
Barley	363.8	394.0	517.5	506.1	531.4	1209,4	1182.1	1262.7
Oatmeal	208.7	200.4	202.7	194.3	251.6	382.0	295.8	331.1
Rice	8.4	9.9	12.9	13.1	27.5	48.9	72.5	89.6

Source: Ministry of Agriculture and Rural Development. The Statistic Directory of Romania, 2009

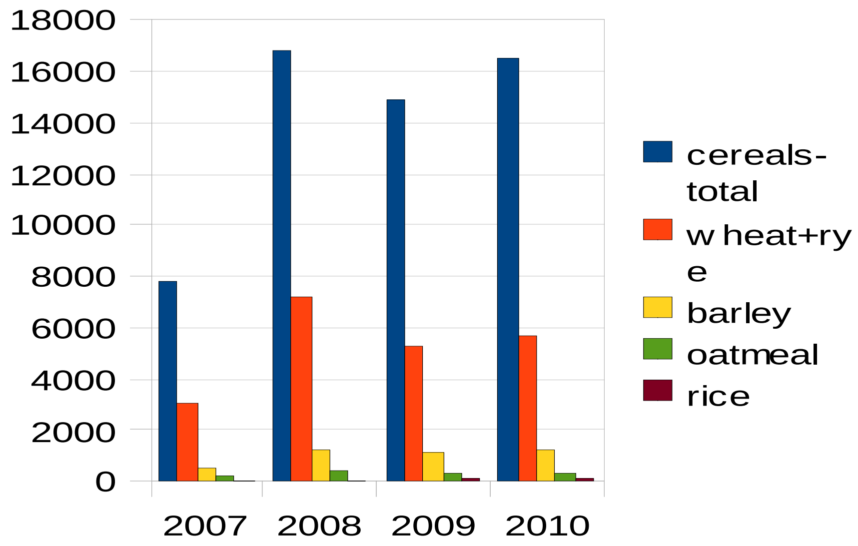


Figure 4. Cereal cropping areas (000 ha), 2007-2010. Source: Ministry of Agriculture and Rural Development. The Statistic Directory of Romania, 2009

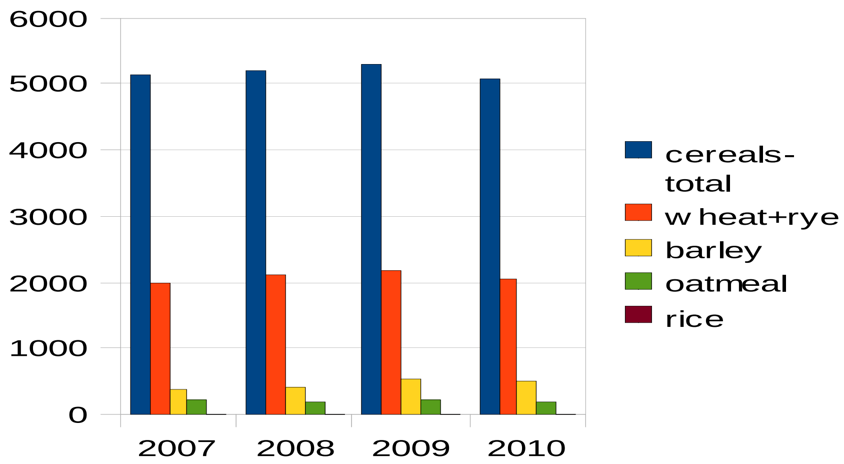


Figure 5. Development of production (000 tons) 2007-2010. Own graph, based on data provided by the Ministry of Agriculture and Rural Development and the National Institute of Statistics.

In 2009, Romania also ranked last in Europe in potato production, with 15 933 kg/ha compared to 44 056 kg/ha in Germany. The production of rapeseed represents only half compared to that of Bulgaria, while the efficiency of sun flower production only overcomes Spain's.

Table 3. Potato growing area and production

	Crop area (000 ha)				**Production (000 tons)**			
	2007	**2008**	**2009**	**2010**	**2007**	**2008**	**2009**	**2010**
Potatoes	268.1	255.3	255.2	243.9	3712.4	3649.0	4004	3333.8

Source: Ministry of Agriculture and Rural Development

Production of sugar has always been a sensitive subject. Sugar beet is the source of sugar production in Romania and average production of sugar beet is about 2 times lower than in EU-15 and 50% lower compared to the new member states. Nevertheless, the extraction of sugar represents 20% of the results obtained in EU-15.

Table 4. Sugar beet growing area and production

	Crop area (000 ha)				**Production (000 tons)**			
	2007	**2008**	**2009**	**2010**	**2007**	**2008**	**2009**	**2010**
Sugar beet	28.7	20.4	21.3	24.4	748.8	706.7	816.8	792.5

Source of data: Ministry of Agriculture and Rural Development. The Statistic Directory of Romania, 2009

Overall, in 2009, agricultural production diminished with 1.1% as compared to 2008, with a 1.1% decline in the vegetable sector, 1% in animal breeding and 6.8% in agricultural services.

Table 5. Development of agricultural production per sector

Sector	**2007**	**2009**
Plants	60.2%	59.6%
Animal breeding	38.3%	39.1%
Services	1.5%	1.3%
Total	100.00%	100.00%

Source: Ministry of Agriculture and Rural Development

Table 6. Development of vegetable production

	Crop area (000 ha)				**Total production (000 tons)**			
	2007	**2008**	**2009**	**2010**	**2007**	**2008**	**2009**	**2010**
Vegetables	253.4	268.6	267.1		3116.8	3819.9	3901.9	

Source: Ministry of Agriculture and Rural Development. The Statistic Directory of Romania, 2009

Table 7. Development of vineyard production

	Crop area (000 ha)				**Total production (000 tons)**			
	2007	**2008**	**2009**	**2010**	**2007**	**2008**	**2009**	**2010**
Vineyard	187.6	194.9	184.4		873.2	1010.0	990.2	

Source: Ministry of Agriculture and Rural Development. The Statistic Directory of Romania, 2009

In the European Union, Romania ranks 5th for the growing area of grapes and 6th for the production of grapes and wine. The dominant brands are Murfatlar (29.9%), Jidvei (19%), Cotnari (13.8%) and Vincom Vrancea (7.9%).

In livestock production, the number of animals decreased with the exception of sheep. The production of milk declined, while eggs and wool production increased.

Table 8. Development of livestock production

Production sector	Unit	2007	2008	2009	2010*
Cattle	No (000)	2819	2684	2512.2	2465
Pig	No (000)	6565	6174	5793.4	5423
Sheep	No (000)	9334	9780	10058.7	12007
Poultry	No (000)	82036	84373	83843	87008
Meat	000 tons	1503	1426	1442.3	978
Milk	000 hl	61048	59006	56382.6	39185
Eggs	Mil.	6522	6692	6211.2	4703
Wool	000 tons	21	22.1	22.3	19.8

*the first 9 months of 2010. Source: Ministry of Agriculture and Rural Development. The Statistic Directory of Romania, 2009

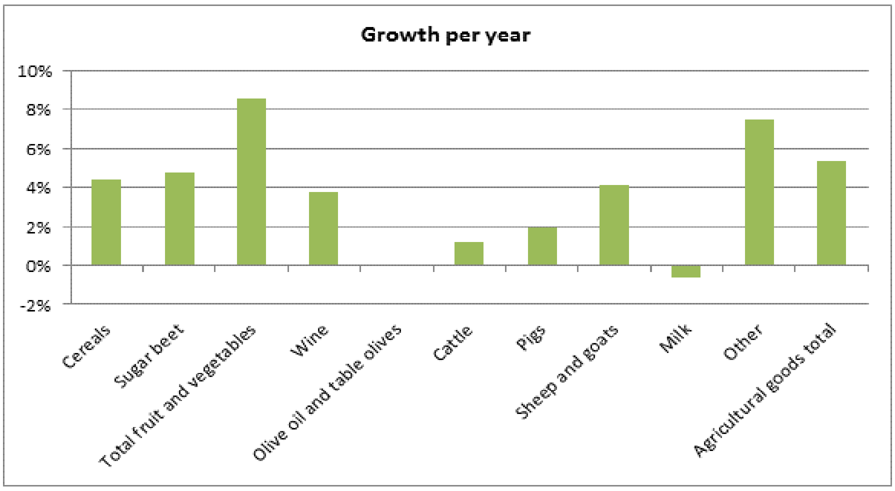


Figure 6. Trend in output per sector "2001" - "2009" Source: Economic Accounts of Agriculture, Eurostat.

2.3 Development in the number of farms

The number of farms in Romania is given in Table 9 and Graph 6.

Table 9. Development of farm numbers

Number of farms

	2000	2007	% change per year
Cereals	#N/A	298,560	#N/A
Sugar	#N/A	345,740	#N/A
Pig meat	#N/A	308,750	#N/A
Sheep meat	#N/A	165,990	#N/A
Total fruits and vegetables	#N/A	54,800	#N/A
horticulture	#N/A	22,610	
fruit and citrus fruit	#N/A	32,190	
Olive oil and table olives	#N/A	0	#N/A
Wine	#N/A	26,990	#N/A
Dairy	#N/A	117,570	#N/A
Beef	#N/A	2,390	#N/A

Source: Eurostat, Farm Structure Survey.

In 2007, 65.2% of the agricultural area of Romania was operated by individual farmers, while 34.8% was operated by exploitations of some type of legal person (1475 societies/associations, 5147 companies, 4177 units owned by public administration, 71 cooperatives and 6829 others). [7] However, until 2010, individual farmers' ownership diminished to 55.98%, and 44.02% was operated by some type of legal person.[8] The numbers show the diminishing of small-scaled agricultural exploitations and the merging of agricultural land, which eventually will lead to an increase in the efficiency of agricultural exploitations.

As a consequence of the restitution of agricultural land, most of the individual farms have a low economic power and are oriented towards self-consumption. The number of farms that enlisted themselves in the database of the Romanian Agency for Payments and Intervention in Agriculture at 1 June 2007 totalled 1 232 616 having a farm area of a total of 9.706 million ha. In order to be eligible to enlist for subventions under CAP I, farms had to have at least 1 ha with plots no less than 0.3 ha. It is important to mention that there are 2.6 million households that do not meet these conditions and do not benefit from subventions. Also, 0.9% of farms took 51% of the subsidies.[9]

Actually, it is difficult to differentiate between individual exploitations and "farms". Although in European statistics they may appear under the denomination of "farms", these are mostly individual exploitations (households) targeted to self-consumption.

7 Agricultura Romaniei in cifre, Noiembrie 2010 (Romania's Agriculture in Numbers), publication of the Ministry of Agriculture and Rural Development

8 Recensamantul General Agricol 2010 (The General Agricultural Census 2010) - provisionally results - June 2011

9 Luca, Lucian. "Two extremes don't make one right. Romania and the Reform of the Common Agricultural Policy of the EU."p.21, Romanian Centre for European Policy, 2009

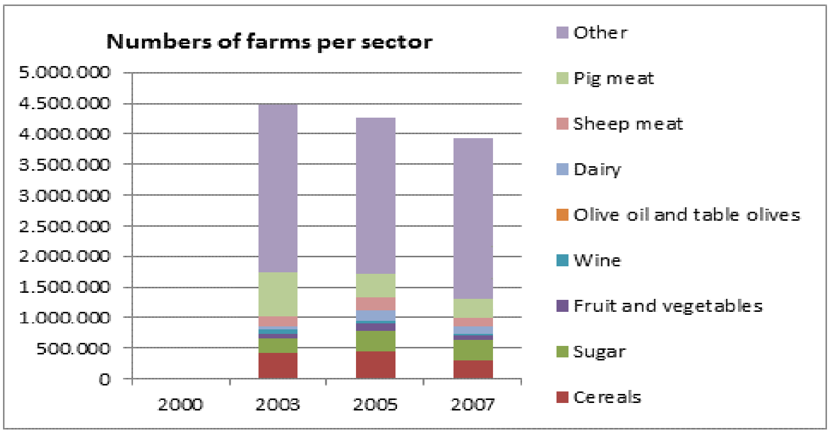


Figure 7. Number of farms 2000 - 2007 with data per specialist type of farming. Source: Eurostat, Farm Structure Survey.

2.4 Size of farms

Farms come in different sizes from small part-time farms to large exploitations. Graph 7 shows the distribution of farms per size class, measured in European Size Units (ESU).
The main characteristic of Romanian rural economy is the presence of a very large number of small farms (less than 1-2 ha, that produce mainly for themselves and rarely commercialise their products), and a small number of very large farms (more then 10 000 ha). Their coexistence demonstrates the structural imbalance that influences the development and competitiveness of agriculture in Romania.
The medium-size farm, that is eligible for payments, has a surface of 8.74ha (Ministry's estimates).[10]
The majority of agricultural farms (86%) are micro-enterprises with less than 10 employees. The small and medium enterprises (around 1600) have between 10 and 49 employees. Hence, 97% of agricultural enterprises have only a small number of employees.

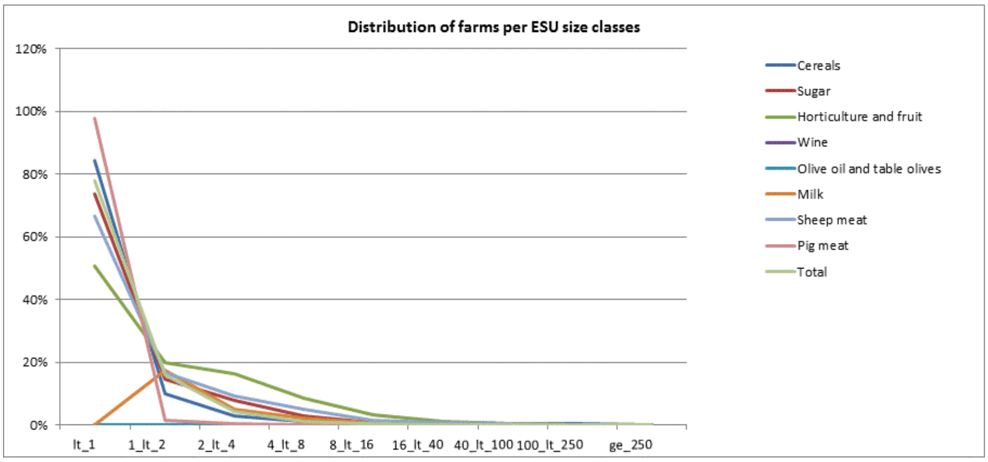


Figure 8. Number of farms per size class, measured in ESU, per specialist type of farming Source: Eurostat, Farm Structure Survey.

10 Agricultura Romaniei in cifre, Noiembrie 2010 (Romania's Agriculture in Numbers), publication of the Ministry of Agriculture and Rural Development

Regarding the development of agricultural enterprises, in 2007 and 2008, the number of small agricultural enterprises increased, while the number of large ones slightly decreased[11].

2.5 Age of farmers: distribution of farms to age classes

The age of farmers differs. Although the proportion of people working in agriculture is still the highest in Romania among all European countries, the rate diminished from a 40.9% in 2001 to 27.7% in 2008. This percentage represents mostly self-employed workers (for the 3.9 million small individual households) plus technical personnel.

Regarding the age of farmers, most of them are older than 45 and there is a trend of increased ageing [12].

Agriculture has always played an important social role by absorbing the unemployed of the cities. In my opinion, probably the statistical data for 2010 will show an increase of the percentage of younger people in agriculture. Following the high unemployment in the urban areas determined by the economic crisis, many people will move to the rural area due to lower expenses. Nevertheless, due to emigration, the younger rural population can be found mostly working in Italy, Spain, Great Britain, etc. [13].

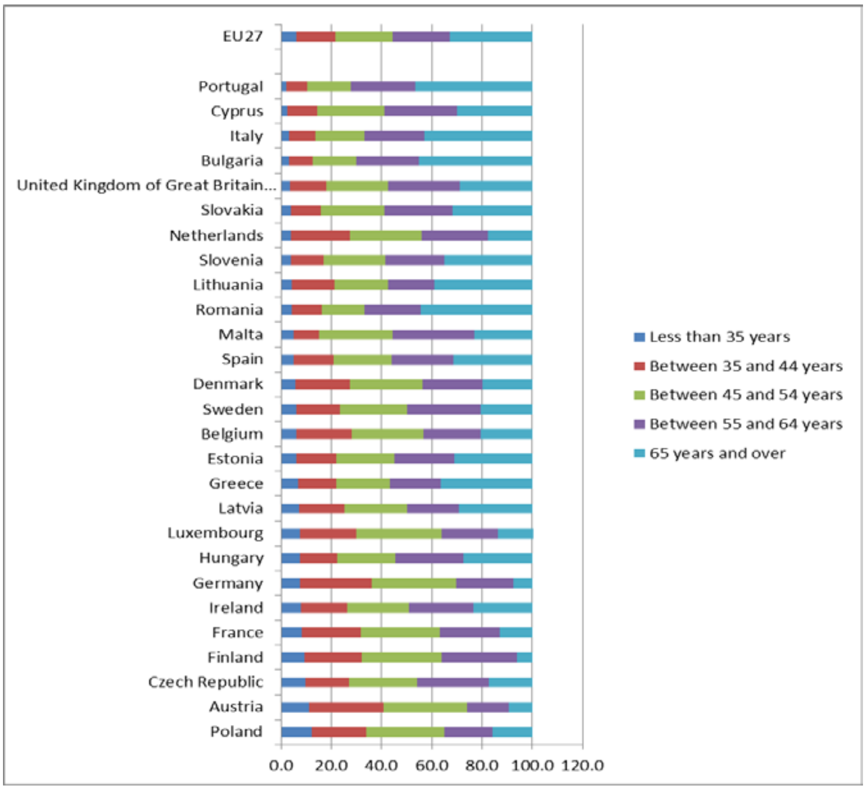


Figure 9. Percentage of farmers per age class, per Member State and EU27, 2007 (ranked with countries with the lowest percentage of young farmers on top). Source: Eurostat, Farm Structure Survey.

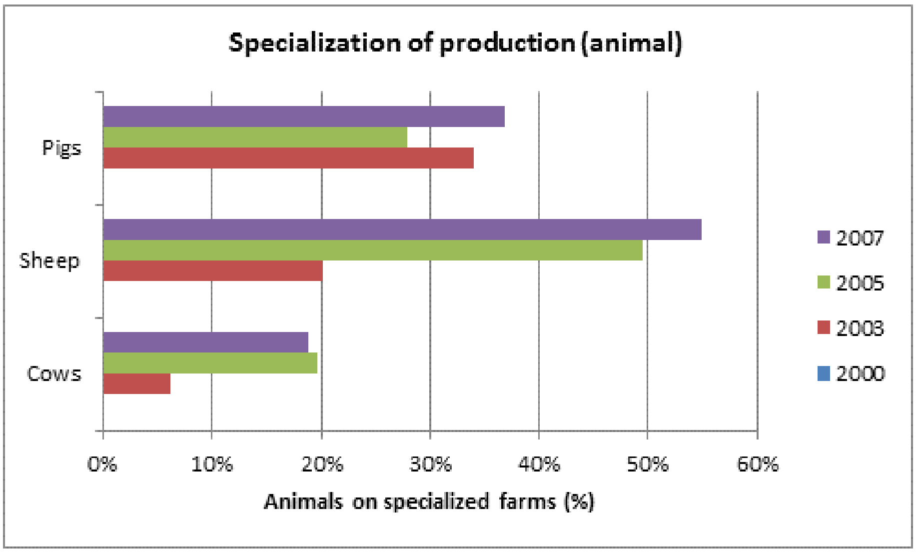
11 Romanian Agriculture in numbers, update July 20, 2011, publication of the Ministry of Agriculture and Rural Development

12 Agricultura Romaniei in cifre, Noiembrie 2010 (Romania's Agriculture in Numbers), publication of the Ministry of Agriculture and Rural Development

13 Luca, Lucian." Two extremes don't make one right. Romania and the Reform of the Common agricultural Policy of the EU." Romanian Centre for European Policies. p.15

2.6 Specialisation of farm production

Cooperatives might not only have member-farmers with different farm sizes or of different age. Farms also have a different composition of their production and therefore their input. This is even true for specialist farms, where e.g. some so-called specialist dairy farmers also have beef or sheep or sell hay. In addition to that a lot of mixed (non-specialized) farms exist. The heterogeneity of farming in terms of specialisation can be estimated by calculating the share that specialized farms have in the total production. This is what Figures 9A (for plant production) and 9B (for animal production) show.



Graph 9A & B. Heterogeneity in farm production: the share of specialist farm types in total production Source: Economic Accounts of Agriculture, Eurostat.

2.7 Economic indicators of farms

The description of agriculture is concluded with some economic indicators (Table 10a for DG AGRI's FADN data, table 10b for national data). These indicators focus on the net value added and income from farming for farmers, as well as the level of their investment. Some of this investment might be in equity of the cooperatives, but far the most will be in farm assets.

Table 10a. Economic indicators for farms

Economic indicators average per farm (2006-2008)

	Cereals	Sugar	Fruit and vegetables	Dairy	Wine	Pig meat	Sheep meat
Economic size - ESU	7.00	3.50	4.63	2.85	8.05	29.50	3.25
Total labour input - AWU	1.70	1.94	2.16	1.68	4.23	1.52	2.38
Total Utilised Agricultural Area (ha)	45.1	9.7	4.4	6.3	15.2	2.9	13.3
Total output €	38,973	15,681	18,465	11,541	47,261	27,291	15,162
Farm Net Value Added €	26,897	8,393	10,534	6,542	29,776	6,786	7,852
Farm Net Income €	22,035	5,858	7,509	5,763	11,388	3,759	6,019
Total assets €	57,780	39,772	58,534	32,538	174,646	52,929	39,218
Net worth €	53,668	39,137	55,705	31,467	163,922	45,376	37,961
Gross Investment €	1,566	254	1,504	352	1,496	3,078	1,104
Net Investment €	-688	-1,004	-560	-431	-4,032	1,128	205
Total subsidies - excl. on investm. €	6,721	1,895	746	1,785	2,181	3,746	2,290
Farms represented	103,815	71,465	19,390	126,085	4,475	24,200	63,470

note: less than 3 years available

Source: DG Agri FADN

Table 10b. Economic indicators for farms

Patrimonial structure coefficients (%)	**EU**	**Romania**
1. Rate of total fixed assets:	79.99	76.33
Land permanent crops & quotas	53.84	22
Buildings	12.99	29.48
Machinery	9.7	19.54
Breeding livestock	3.45	5.31
2. Rate of total current assets	20.01	23.67
Non-breeding livestock	2.67	3.44
Stock of agricultural products	2.72	2.81
Other circulating capital	14.61	17.42

Source: Camelia Burja, Vasile Burja: (2010) Financial Analysis of the Agricultural Holdings Viability in Romania in the European Context.

Table 10c. Farm performance in Romania and the EU, 2007

Indicators	**EU**	**Romania**	**EU/Romania**
1. Average farm capital, euro	131300	22492	5.8
2. Gross investment, euro	8414	480	17.5
3. Net investment, euro	820	-598	-
4.Labour input, hours	3701	4872	0.76
5. Total output, euro	60287	10470	5.8
6. Farm Net Income, euro	19541	3151	6.2
7. Farm Net Value Added, euro	28546	4826	5.9
8. Farm Net Income/FWU, euro	14779	1730	8.5
9. Farm Net Value Added/AWU, euro	16651	2328	7.2
10. Return on farm assets, % (*ROFA*)	7.09	11.08	0.64
11. Return on farm equity, % (*ROFE*)	8.2	11.5	0.71

Source: EU FADN Database - Income statement, Financial statement.

3 Evolution, position and performance of cooperatives

3.1 Types of cooperatives

There have been several types of cooperatives in Romania: consumer cooperatives, credit cooperatives, craft cooperatives and agricultural cooperatives. Of these, according to the Atlas of Social Economy (September 2011)[14], the number of credit cooperatives diminished seriously between 2005 and 2009 (from 132 to 65), while the number of craft and consumer cooperatives remained constant (around 800) (unfortunately, the study does not focus on agricultural cooperatives).

Agricultural cooperatives have experienced a dramatic history in Romania.

Analogously to the development in the other European countries, the cooperative movement evolved in the second half of the 19th century and showed a vivid growth until the World War II. In the era of communism until 1989, it turned into a forced, dramatic infiltration in nationwide agriculture and, subsequently, with a few exceptions, it came to a total breakup after 1990.

The most ancient form of cooperative was the village community that had existed since the formation of the Romanian people[15]. The village community was built based on the solidarity of its members and its goal was the merging of land that was worked in common. This ancient form of organization was legalized by the Law of civil procedure of 1865 and the Law of authentication of documents of 1886. The first village communities organized according to modern, European principles appeared in the Old Kingdom of Romania starting with the 1900s and they shortly became popular, their number increasing from 8 village communities in 1903 to 808 in 1920, with a medium surface of 725 ha[16]. Popescu argues that village communities disappeared because of three factors: the Second World War, the agrarian reform of 1945 and the adoption of the Soviet model in economy. Their place was taken by cooperative structures built of foreign philosophies.

The Romanian cooperative movement was born in reaction to some restrictions prevailing in agriculture at that time, the main question being the constant competition between small and big farms (Popescu, 2007)[17].

Regarding its regional development, first cooperatives appeared in Transylvania and they belonged to the privileged Saxon and Hungarian population. It is worth mentioning that the Saxon population was organized in cooperatives of Raiffeisen type (multipurpose), a model that was quite largely spread later on in Transylvania.

Until the Second World War, cooperative organizations worked successfully in the field of banking (credit cooperatives) or economic cooperatives (consumption cooperatives, supply and sales cooperatives, forestry cooperatives, etc.). Cooperation was offering small and medium farmers the institutional frame to compete in the capitalist market, just as today. Moreover, another role of cooperatives is reflected in a comment made by Mitita Constantinescu, an

14 Atlasul Economiei Sociale, material delivered in the project "PROMETEUS – Promoting social economy in Romania through research, education and training at European standards". Co-financed from the social European Fund and implemented by Fundația pentru Dezvoltarea Societății Civile in partnership with Institutul de Cercetare a Calității Vieții, Universitatea București - Facultatea de Sociologie, European Research Institute on Cooperatives and Social Enterprises, Italia (EURICSE) and Centrul Național de Pregătire în Statistică http://www.fdsc.ro/library/prometeus/ATLAS.pdf

15 Popescu, Gabriel: Cooperara in agricultura, de la piata funciara la trasferul de cunoastere (2009), p. 136-164

16 Popescu (2009), p.143

17 Popescu, Gabriel and Constantin, Florentina (2007): "The Romanian Agricultural Cooperative Movement, from the Beginning to the Threshold of the Second World War. Briefly Historic Argument or Argument for History", Theoretical and Applied Economics (8):37-44.

important figure of the coop movement in the1930s: “ I don't think that there has ever been a more loved institution, by all governments, as the cooperation has been” [because a cooperation becomes] “a core for political irradiation, from which we can obtain good election results.” (Constantinescu, 1943, p.15)[18].

In 1938, there were 8092 cooperatives registered in Romania, with a total of 1.150.000 workers, which was a huge number for those times. Some argue that cooperatives contributed to the application of agricultural reforms during 1864-1921, helped the endowment with modern agricultural machinery and contributed to the agricultural education of peasants by offering them technical information[19]. The cooperation movement was marked by important figures, that contributed to its development either scientifically, either administratively (through the sustaining of important pieces of legislation): Spiru Haret, P.S. Aurelian, Ion Ionescu de la Brad, Ion Heliade Radulescu, Virgil Madgearu, Mitita Constantinesc and others.

Just as in other Central and Eastern European countries, in Romania, communism meant forced cooperativization for all peasants, according to the model of Soviet kolkhozes. In the collective memory, cooperation became equivalent to theft of property. The system encouraged false declarations of production to “look good” in front of communist leaders, tolerated the misuse of common property, and eventually led to lack of involvement by the members. For instance in 1989, the reported cereal production was of 60 million tons, while in reality, it was of only 16.9 million tons. The communist agricultural system was inefficient.

The bad image of cooperatives still prevails among the rural population and has prevented farmers from choosing such forms of organization. The term of “cooperative” is seldom used; people prefer to organize themselves in associations, producer groups, or limited liability companies.

In 1990, it was decided to dissolve the cooperatives and return the land to its former proprietors. This led to the degradation and shrinkage of the cooperatives' assets with unpredictable consequences on agricultural production and activity.

After 1990, the farmers' organizations took several forms: *cooperatives*, *associations*, *agricultural societies* or *companies* (mostly limited liability companies). The most popular organization structures used in agriculture were agricultural societies and limited liability companies, with regulations that were introduced at the beginning of the 1990s.

There are two forms of organization of coop type: the agricultural society and the cooperative.

Agricultural societies were established by Law 36/1991 that followed Law 18/1991 that started the process of reform in agriculture by abolishing the cooperatives of communist type and restoring the lost propriety of peasants. Popescu argues that the establishment of these had nothing to do with the cooperative spirit or the requirements of the capitalist market. It rather assured that the leadership of the abolished cooperatives would preserve its status, the farmers' primary motivation to associate being that their field be worked, thus assuring some income[20]. Moreover, he argues that the law set the premises for the sinuous evolution of the association actions in agriculture that from 1991 to 2009 was descending, as associations didn't assure much profit for farmers. Between 1994 and 2001, associations diminished with 36.6%, and by 2005 they represented only 9.2% of what they were in 1994[21]. However, because for 15 years,

18 Constantinescu, M. (1943). *Politica economicã aplicatã*, vol. II, Bucuresti

19 Raceanu, Adrian (2011). “Baraganul ialomitean este prezent la Muzeul de istorie din Targoviste”, Revista Historia,

20 Popescu (2009) p. 282

21 Idem, p. 288

until 2004, this has been the only framework that would permit farmers to associate, I considered it important that this form of association be included in the study.

The Law on Agricultural Cooperatives (no. 566) was enacted in 2004, followed by Law no 1/2005 on cooperatives, but so far the number of cooperatives has been far lower than that of other forms of association. According to Popescu (source: National Institute of Statistics), in 2005, there were 108 cooperatives, of which 71.3% (77 cooperatives) cultivate the land, 17 had a mixed activity and 12 were specialized in animal breeding. Statistics did not mention any cooperative that activated in providing inputs, processing or marketing of products[22]. According to the preliminary results of the 2010 Census, the number of cooperatives in Romania is 68. So from 2005 to 2010, the number of cooperatives diminished from 108 to 68.

Another piece of legislation, Ordinance 37/2005, established the formation of "producer groups", which basically means bottom-up, voluntary associations of farmers (organized as cooperatives, associations, limited liability companies, etc.) that jointly sell their members' output. According to the legislation that was enforced in 2005, POs should ensure the planned production (output) according to quantity and quality market requirements. Also, it should optimize production costs and set producers' prices, and also promote harvest techniques, production techniques as well as waste management. Any member should have a production area and declare its intent of marketing its output in a producer group.

Moreover, members should apply the regulations of the PO regarding production reports, production itself and waste management. Their membership should be limited to only one marketing organization and they are obliged to commercialize most of their output through the PO. In order to benefit from certain incentives, POs should be recognized by the Ministry of Agriculture and Rural Development.

However, farmers did not hurry to apply for recognition as POs, in spite of the incentives given. According to a 2009 press release by the Ministry of Agriculture and Rural Development, in Romania, the number of recognized producer groups was very low: 9 POs and 1 organization in the sector of fruits and vegetables, 1 association for seeds, 9 associations in ecological agriculture, 8 POs for cereals, 25 POs in animal breeding. Nevertheless, the number of recognized POs increased significantly during the last two years, to a total of 152 producer groups as shown below:

22 Ibidem, p. 219

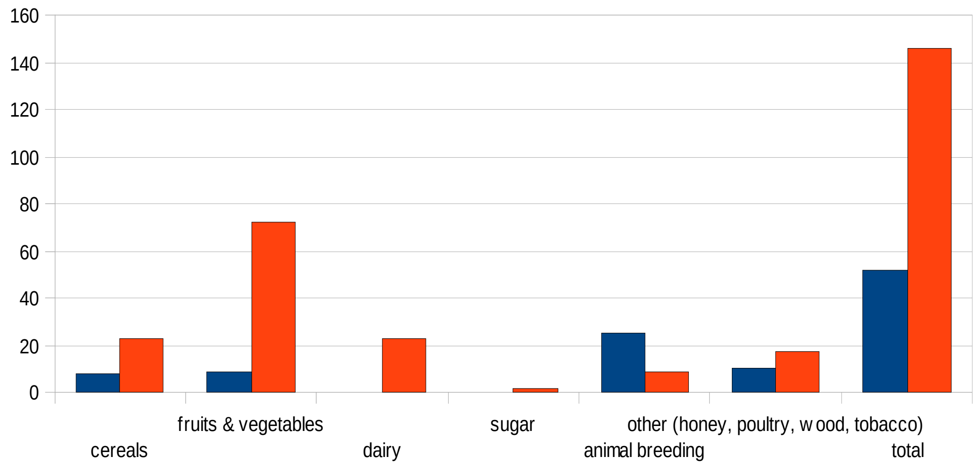


Figure 11. Development of the number of POs from 2009 to 2011. Source: Data based on information from the Ministry of Agriculture and Rural Development

From among the 152 producer groups, only 19 are cooperatives, most of them being situated in the South of the country and being specialized on the sector of fruits and vegetables. All of them were constituted after 2006.

According to the Law on Cooperatives, associations of cooperatives have the following purpose: representing the cooperation's interest in relation with public administration and other bodies; representing the cooperation's interests in relation with international organizations; promoting and defending economic interests of the members of the cooperation. There are no associations of exclusively agricultural cooperatives in Romania, although credit and consumer cooperatives dispose of a wide network of such type.

There are several national federative organizations (2nd level organizations) that represent the interests of the farmers and are organized either per sector, either regionally, or both.

These organizations are, among others: 1)FNPAR (Federatia Nationala a Producatorilor Agricoli din Romania) The National Federation of Agricultural Producers of Romania -represents Romania in Copa-Cogeca, 2) LAPAR (Liga Asociatiilor Producatorilor Agricoli din Romania). Romanian Agricultural Producers Associations League, 3) AGROSTAR, 4) Federatia Agricultorilor "Fermierul". "The Farmer" Farmers' Federation , 5) Asociatia Fermierilor si Procesatorilor din Romania (The Romanian Farmers and Processors Association), 6) Federatia Nationala a Crescatorilor de Ovine (Sheep Breeders' National Federation), 7) ONIV-Interprofessional Wine National Organization etc. These are civil societies representing the interests of the farmers in the relation with the Ministry of Agriculture or other bodies. In 2010, 56 organizations filed a petition to the Ministry of Agriculture for the use of GMOs in Romanian agriculture with the purpose to increase the efficiency of their production. In 2011, they have been militating mostly in favour of the use of GMOs in agriculture as well as for the increase of state's protection of the farmers[23]. There are also civil societies, like Ecoruralis[24], that are promoting the right of peasants to practice ecological agriculture, are militating against the use of GMOs and for the preservation of a traditional rural environment.

23 "Producatorii agricoli cer introducerea in cultura a plantelor ameliorate prin inginerie genetica", (Producers demand the introduction of GMOs), September 10, 2010. Recolta-cotidian online de stiri pentru agricultori. (http://www.recolta.eu/producatorii-agricoli-cer-introducerea-in-cultura-a-plantelor-ameliorate-prininginerie-genetica/)

24 www.ecoruralis.ro

3.2 Market share of farmers' cooperatives in the food chain

Sources that show the market share of cooperatives in the food chain could not be found. However, an estimate of their market share could be sensed by considering the share of agricultural possessions among juridical persons.

According to the National Strategic Programme for Rural Development, that cites data provided by the National Institute of Statistics (2006), the share of agricultural surface possessions among juridical persons is as follows: 44.2 % belongs to public administration, the rest being split between companies with private capital (35.81%), private agricultural units (15.44%), companies with state owned capital (1.25%), cooperatives (0.08%), others (3.2%)[25]. Given the share of property of agricultural surface, one might presume that the market share of cooperatives is not far from these numbers.

According to the 2010 Census[26], there are 30 669 agricultural exploitations with juridical personality, of which only 68 are cooperatives. From the total of 5852854.26 ha that these exploitations use, 8176.22 ha belong to cooperatives, which represent 0.13%. From the data analysis results that the cooperatives possession of agricultural land increased between 2006 and 2010 with 0.05%, while the number of cooperatives diminished from 108 to 68. So fewer cooperatives possess more land.

3.3 List of top 50 largest farmers' cooperatives

The list of the top 50 cooperatives/agricultural societies/producer groups was made according to the 2009 turnover. The list includes cooperatives, but also agricultural societies and limited liability companies. The decision to include these forms of organization in the top list was taken because the Ministry of Agriculture recognizes such forms of organization as being viable to receive the status of producer groups (this applies especially to producer groups in the fruits and vegetables sector).

25 Programul National de Dezvoltare Rurala (National Programme of Rural Development) 2007-2013, (consolidated version March 31, 2009)

26 Recensamantul General Agricol 2010 (The General Agricultural Census 2010)-provisionally results-June 2011 (http://www.madr.ro/pages/recensamant/rga-rezultate-provizorii-iunie-2011.pdf)

Table 11. The 50 largest farmers' cooperatives in the food chain of Romania

	Name of the cooperative	Sector(s) involved in
1	SC HORTIFRUCT SRL	Trade of fruits and vegetables
2	COMBINATUL AGROINDUSTRIAL CURTICI	Activities in mixed farms (cultivating vegetables combined with animal breeding)
3	SOCIETATEA AGRICOLA PETRESTI	Cereals (excluding rice), vegetables and oily seeds
4	DOBROGEA SUD COOPERATIVA AGRICOLA	Cereals (excluding rice), vegetables and oily seeds
5	SOC.AGR. "ASTRA"	Cereals (excluding rice), vegetables and oily seeds
6	SOCIETATEA AGRICOLA A PRODUCATORILOR DE MERE DEDRAD - BATOS	Fruits with seeds
7	S.A.INFRATIREA	Cereals (excluding rice), vegetables and oily seeds
8	COMBINATUL AGROINDUSTRIAL Olari	Cereals (excluding rice), vegetables and oily seeds
9	SOCIETATEA AGRICOLA DOBROTESTI SAG	Cereals (excluding rice), vegetables and oily seeds
10	SOCIETATEA AGRICOLA SARULESTI	Cereals (excluding rice), vegetables and oily seeds
11	S. AGRICOLA SCHAMAGOCSCH CIUMESTI	Activities in mixed farms (cultivating vegetables combined with animal breeding)
12	SOCIETATEA AGRICOLA CERES - SMIRNA	Cereals (excluding rice), vegetables and oily seeds
13	SOCIETATEA AGRICOLA AGROMIXT	Cereals (excluding rice), vegetables and oily seeds
14	SOCIETATE AGRICOAL AGROIND BEREZENI	Activities in mixed farms (cultivating vegetables combined with animal breeding)
15	BRAICOOP COOPERATIVA AGRICOLA	Trade of cereals, seeds, fodder and unprocessed tobacco
16	SOCIETATEA AGRICOLA PETRU RARES	Cereals (excluding rice), vegetables and oily seeds
17	SC SA AGROFIEN	Activities in mixed farms (cultivating vegetables combined with animal breeding)
18	SOCIETATEA AGRICOLA AGROZOOTEHNICA INDEPENDENTA	Cereals (excluding rice), vegetables and oily seeds
19	S. AGR. CELEZVIT SAG	Cereals (excluding rice), vegetables and oily seeds
20	SOCIETATEA AGRICOLA RECOLTA	Cereals (excluding rice), vegetables and oily seeds
21	S. AGR. TROIANUL SAG	Cereals (excluding rice), vegetables and oily seeds
22	SOCIETATEA AGRICOLA VICTORIA	Cereals (excluding rice), vegetables and oily seeds
23	SOCIETATEA AGRICOLA DIANA SCINTEIA	Cereals (excluding rice), vegetables and oily seeds
24	SOC AGRICOLA SINGURENI	Cereals (excluding rice), vegetables and oily seeds
25	SOC. AGRICOLA CERES PADINA	Activities in mixed farms (cultivating vegetables combined with animal breeding)
26	SOCIETATEA AGRICOLA SPICOM	Activities in mixed farms (cultivating vegetables combined with animal breeding)
27	"TREI SATE" - SOCIETATE AGRICOLA	Cereals (excluding rice), vegetables and oily seeds
28	SOC.AGR. AGROIND MOVILENI	Cereals (excluding rice), vegetables and oily seeds
29	CERES MIROSI	Cereals (excluding rice), vegetables and oily seeds
30	SOCIETATEA AGRICOLA "VITISEM"	Cereals (excluding rice), vegetables and oily seeds
31	S.AGR.CERES VLADIMIRESCU	Cereals (excluding rice), vegetables and oily seeds
32	MIRACOL SOCIETATE AGRICOLA	Cereals (excluding rice), vegetables and oily seeds
33	SOCIETATEA AGRICOLA "SPICUL" SALCUD	Cereals (excluding rice), vegetables and oily seeds
34	CERASUS GRUP S.R.L	Trade of fruits and vegetables
35	S.AGR.ROMGERA SINTANA	Cereals (excluding rice), vegetables and oily seeds
36	SOC.AGRIC.FLORA	Cereals (excluding rice), vegetables and oily seeds
37	SOCIETATEA AGRICOLA BERLAPI BERVENI	Cereals (excluding rice), vegetables and oily seeds
38	SOCIETATEA AGRICOLA DEALUL COVURLUI	Cereals (excluding rice), vegetables and oily seeds
39	SOCIETATEA AGRICOLA AGROZOO SPERANTA SANTAU	Activities in mixed farms (cultivating vegetables combined with animal breeding)
40	SOCIETATEA AGRICOLA AGROIND	Cereals (excluding rice), vegetables and oily seeds
41	SOCIETATEA AGRICOLA CEREANIM	Cereals (excluding rice), vegetables and oily seeds
42	SOCIETATEA AGRICOLA VALEA NYIRULUI	Cereals (excluding rice), vegetables and oily seeds
43	S.AGR.TREI MOVILE S.N.C. SICLAU	Cereals (excluding rice), vegetables and oily seeds
44	SOCIETATEA AGRICOLA FRIMONT	Activities in mixed farms (cultivating vegetables combined with animal breeding)
45	SC "MOLDOVENI" - SOCIETATE AGRICOLA SA	Cereals (excluding rice), vegetables and oily seeds
46	SOCIETATEA AGRICOLA BURGABOTEK	Activities in mixed farms (cultivating vegetables combined with animal breeding)
47	LEGUMES S.R.L	Trade of fruits and vegetables
48	SOCIETATEA AGRICOLA CERES SAG	Cereals (excluding rice), vegetables and oily seeds
49	SOCIETATEA AGRICOLA DOR MARUNT	Cereals (excluding rice), vegetables and oily seeds
50	SOCIETATEA AGRICOLA FLORA - CIULNITA	Cereals (excluding rice), vegetables and oily seeds

3.4 List of top 5 largest farmers' cooperatives per sector

Table 12. Most important cooperatives in the sectors studied in this project

Sector		Name of Cooperative
Cereals	1	COMBINATUL AGROINDUSTRIAL CURTICI
	2	SOCIETATEA AGRICOLA PETRESTI
	3	DOBROGEA SUD COOPERATIVA AGRICOLA
	4	SOC.AGR. "ASTRA"
	5	SOCIETATEA AGRICOLA INFRATIREA CAREI
Fruit and vegetables	1	SC HORTIFRUCT SRL
	2	COMBINATUL AGROINDUSTRIAL CURTICI
	3	SOCIETATEA AGRICOLA A PRODUCATORILOR DE MERE DEDRAD - BATOS
	4	CERASUS GRUP S.R.L
	5	LEGUMES S.R.L
Wine	1	COOPERATIVA AGRICOLA SARBA VIN DIVIN
	2	COOPERATIVA AGRICOLA VITI-VINCLUB
Dairy	1.	SOCIETATEA AGRICOLA PROLACTOSERV
	2	COOPERATIV AGRICOLA SULITA
	3	BIOLACT COOPERATIVA AGRICOLA
	4	ARINISUL-CALIMANI COOPERATIVA AGRICOLA
	5	TATARAGRO COOPERATIVA AGRICOLA
Sheep meat	1	SOCIETATEA AGRICOLA INDAGROCOMTUR
	2	MIORITA BENICEANA COOPERATIVA AGRICOLA
Pig meat	1	COOPERATIVA AGRICOLA MOLDAVIA
	2	GRASUNUL MOVILA OII COOPERATIVA AGRICOLA
	3	CRESTEREA SI INGRASAREA PORCILOR COOPERATIVA AGRICOLA
	4	DEZVOLTAREA SUINELOR CILIBIA COOPERATIVA AGRICOLA
	5	CRESCATORIA DE PORCINE CILIBIA COOPERATIVA AGRICOLA

Source: Based on calculated data by the author

3.5 Transnational cooperatives

Many cooperatives are active internationally. In most cases the foreign activities of cooperatives are limited to marketing, trade and sales. Usually they do not buy agricultural products from farmers, or supply inputs to them. However, there is a growing group of cooperatives that do business with farmers in other EU Member States. These cooperatives are called international cooperatives. They can be marketing cooperatives that buy from farmers in different countries, or they could be supply cooperatives that sell inputs to farmers in different countries. One particular group of international cooperatives is the so-called transnational cooperatives. These cooperatives do not just contract with farmers to buy their products or to sell them inputs, they actually have a membership relationship with those supplying or purchasing farmers. In sum, a transnational cooperative has members in more than one country.
Unfortunately, no such cooperatives were identified.

There is a certain category of cooperatives that was developed in Romania after a model studied in other member states, such as France or Hungary. The members of such a cooperative develop a continuous close relationship with their fellows in the other member state that are considered a kind of "mentor". Such mentoring examples can be found especially in the Western part of the country due to the close relations with Hungary, where the Hungarian population developed such relationships. A very popular partner for mentoring is France as well.

4 Description of the evolution and position of individual cooperatives

4.1 Data gathering per cooperative

The data was gathered from databases of the National Institute of Statistics, professional magazines, websites and telephone interviews.

4.2 Position in the food chain

Making agriculture in Romania has become more of a surviving exercise then a profitable business, as farmers (no matter what form of organization they take) fight the unfriendly legislation, heavy taxation and unfavourable weather. Apart from these, there are severe structural imbalances and a great contrast between the subsistence farms and large, agro-industrial farms. The emergence of cooperatives might diminish this contrast, as they represent a solution for the increase of land surfaces and strengthening of the middle sector of farms.

Agricultural cooperatives are a marginal form of organization in Romania, but have become more popular lately (period 2009-2011). The process has been supported by encouraging policy that allows tax reductions and access to European funds, and also to a large campaign done in the media in order to encourage such forms of cooperation.
Cooperatives are still at the beginning of their development, some fail in their attempt, some struggle to survive in an unfriendly unpredictable environment for agriculture. Most of the cooperatives try to negotiate a more favourable price for inputs, share their resources and negotiate better prices for the sale of their products. All cooperatives are first processing, most of them wholesaling.

The promotion of cooperatives and the favourable conditions (tax reductions, prices of agricultural goods in 2010 and 2011, import of know-how, experience) might have encouraged a “new wave” of cooperatives (especially in the dairy sector) – but due to their recent establishment, they do not appear in the “top”, as it is based on 2009 turnover. Therefore, an analysis of the evolution of their strategy over the last decade should be done in a couple of years.

Cereals

Few cooperatives exist in this sector, most of the farmers chose agricultural societies as form of association (as it was explained above, this form of association was introduced by Law 36/1991 and followed the abolishment of agricultural cooperatives -CAP- in Romania).

Sugar

No cooperatives were identified.

Fruits and vegetables

The activity of producer groups is quite successful. Apart from the selling in common of their production, members are provided also with other services, like training. Most of producer groups are limited liability companies.

Wine

The market is dominated by important companies, the few cooperatives that were identified and whose turnover for 2009 made them noticeable suspended their activity in the meantime.

Dairy

Some of the cooperatives function only as collecting centres for milk, the farmers do not have noticeable benefits. However, two dairy cooperatives that emerged in 2009 have already produced results that will surely make them noticeable actors on the market.

Sheep meat

There are few cooperatives in this domain, although from the telephone interview had with the representative of a national organization, it seems that during 2011, due to high demand in lamb meat, producers decided the organize themselves and create a cooperative at national level, with a network represented regionally.

Pig meat

All identified cooperatives ceased their activity.

4.3 Institutional environment

Many authors have stressed out the impact that institutional environment has on the development of cooperatives. In this regard, the case of Romania is similar to other countries in the area. For instance, Eisen and Hagedorn (eds.) (1998) point out that history, traditions, and legacies had a big impact on the post-socialist processes of institution building and organizational transformation. The case of Romania is similar to that of Hungary, where the structure of the Hungarian state strongly affected organizational structure and behaviour of cooperatives (Carroll et al. 1990:83). In general, the impact of socialist institutional environment on cooperative movements in post-socialist countries was high.

Likewise, the institutional environment has an important impact on Romanian cooperatives. Practically, apart from certain incentives that the legislation provides for cooperatives, farmers must fight the prejudice linked to the idea of "cooperative" that dates back to communism, the lack of technical assistance for the establishment and management of a cooperative, complicated bureaucracy for the accession of grants and very high fiscal burdens, not mentioning other pressures that Romanian small producers are confronted with, in general: competition with imported products, economic crisis, etc.

Although cooperatives have such a long tradition in Romania, they are a recent form of organization after 1989. They have been established after the enforcement of the Agricultural Cooperative Law (2004), and then Law no.1/2005. As shown above (p. 25), between 2005 and 2010, the number of cooperatives diminished from 108 to 68. From the available data I concluded that the diminishing number of cooperatives cannot be explained by mergers, but rather they disappeared.

Nevertheless, it is worth mentioning that despite the reluctance of the idea of "cooperative" due to the communist past, the most profitable farmers' producer groups, such as Combinatul Agroindustrial Curtici, were built on the structures of former communist cooperatives[27]. "The

27 Befu, Daniel. "A surviving cooperative after the Revolution cashes in super profits and pays tractor drivers 2300 euros per month", 2011, June 17, "Romania libera"

capitalist CAP"-as it is called, Combinatul Agroindustrial Curtici has a turnover of 10 million euros/year, pays the associates 1500 kg of wheat/ha (national record) and pays the tractor drivers with 2300 euros/month. The structure's leader, Dimitrie Musca, was the head of the former communist cooperative in 1989, and when cooperatives were abolished, people asked him to stay and continue work their land together. Nowadays, it is considered a model and given as example of good practice for farmers.

However, the analysis of the institutional environment of the cooperatives active in rural areas must proceed from the characteristics of the Romanian villages as an agro-socio-economic ecosystem, a system that is complex and alive. Romanian villages have undergone a deep process of transformation, where the line between modernization and loss of tradition and identity has been very thin. Moreover, according to statistics, the poorest and less educated parts of the Romanian population live in the rural areas. It is a heterogeneous environment, where people, in many cases, are compelled to live in harsh conditions, without proper infrastructure and modern amenities. These are some of the reasons that explain the high levels of migration from this environment. As Hanehan and Anderson (2001) point out, it is necessary to provide external support during the start-up process of cooperatives. It is my personal belief that, if people were given technical assistance, the development of cooperatives having more than an agricultural function would be on the rise. Such cooperatives (resembling the model of Alba-Afroda Association) could have a strong influence on the development of the communities and maybe the revival of a partially lost identity as much as on the development of a profitable agricultural endeavour for the community.

4.4 Internal Governance

Cooperatives are a hybrid between non for profit organizations and companies, as they borrowed from the first the structure of internal governance, and from the second, aspects of accountability and taxation.

According to Law no 566/2004 regarding agricultural cooperatives (improved in 2007) and Law no 1/2005 regarding cooperatives, the internal governance of cooperatives is as follows:

a) the General Assembly, that gathers all members of the cooperative. It has the following attributions, among others: approving the yearly financial situation, the budget, covering of losses or profit distribution; approving the management structure; approving the status of the cooperative; deciding the representatives of the cooperative in relation with third parties; naming the auditors.

b) the Administrative Council (Board of management), that is constituted of elected members (not less than 3) for a period of 4 years and is in charge with the management of the cooperative. The Board of management names an executive director that can be a professional.

c) the Auditors (censors), elected by the General Assembly, not members, for a period of 4 years, check the legality of the cooperative's activity.

More details about the functioning of the internal governance of the cooperative are given in the Questionnaire on legal aspects.

As regards internal governance, cooperatives prefer member management, with the figure of the President/Director of the cooperative being of utmost importance. As several of the interviewed stressed out, successful cooperatives were built around strong leaders. However, the relationship between members and cooperative is often improperly regulated as contracts do not cover all aspects. It is due to management/leadership issues that many cooperatives fail, the

http://www.romanialibera.ro/exclusiv-rl/reportaj/un-cap-nedesfiintat-la-revolutie-acum-face-super-profit-si-da-tractoristilor-lefuri-de-2300-euro-228624-pagina1.html#top_articol members motivation to work in the cooperative often being corrupted. Supervisory committees are disregarded and checks and balances do not always function well as they are mostly made up of members.

4.5 Performance of the cooperatives

Cooperatives perform lower than the private actors on the market, as Romania has some of the biggest land owners in Europe. One of the best performing structures has been Combinatul Agroindustrial Curtici, which preserved its leadership and membership structures of 1989 and transformed itself into an important actor on the market.

The case of Combinatul Agroindustrial Curtici is a great success story, but quite singular. The cooperative cultivates 5400 ha, has a pig breeding complex and own machinery as well as 23 shops where it sells its own products. About 15 tons of merchandise is sold daily. The cooperative has almost 300 workers and its big salaries made the headlines of the newspapers. The structure was built around Dimitrie Musca, the former Director of the cooperative in 1989. While all over the country cooperatives were splitting up, the members of the cooperative of Curtici decided to continue their work together and asked the director to continue his job. After 20 years, their dream of cultivating corn and harvesting salami came true, as Mr. Musca declared in an interview in "Lumea satului" magazine[28].

As mentioned in Chapter 2.2.2., the share of cooperatives on the market could not be precisely estimated. It is certain that their number diminished between 2006 and 2010, while the possession of agricultural surface increased with 0.05%. However, cooperatives are small actors in the food chain.

28 "Dimitrie Musca si succesele care-i incununeaza efortul", Lumea satului Magazine no.13, July 2010, http://www.lumeasatului.ro/dimitrie-musca-si-succesele-care-i-incununeaza-efortul_l515.html

5 Sector analysis

In this chapter we discuss the developments in the eight sectors that are central in this study. We report on trends in the markets, important changes in (agricultural) policy and we try to link this to the strategies and performance of the investor-owned firms and cooperatives in the sector. The period of observation is 2000 – 2010.

Overall, the activity and performance of Romanian farmers are limited by many factors: underdeveloped market, dominated by traders, distributors and suppliers of inputs, being an unfavourable environment for producers; unpredictable and unstable economic environment; lack of professional training (finance, management, marketing, etc) of most of the leaders of agricultural units; exceeding work force in agriculture; also, there are significant lacks in fundamental production factors (with the exception of land), economic potential and behaviour of economic agents, competition environment, relationships with raw material providers, services providers for agriculture, and beneficiaries of agricultural products[29].

In May 2011, AGROSTAR (Federation of Unions from Agriculture, Food, Tobacco and Connected Services, more than 38 000 members) announced an increase of 3-5% in the price of food that will take effect in the next months. Same news came from Romalimenta (Romanian Food Industry Federation), announcing an increase in the prices of processed food of 10-12% over the next months. According to the National Institute of Statistics, inflation increased from 8.01% in March to 8.34% in April, a peak since July 2008. In the first months of 2011, prices for potatoes increased by 30%, for vegetables by 21.2% and for sugar by 17.6 %.

AGROSTAR said that the Ministry suffers from lack of strategy in the agricultural sector policy and declared that more could be done for attracting investments and for increasing the absorption of European funds[30].

Given these conditions and the potential and benefits that farmers associations would bring for Romanian farmers, Popescu stressed out the necessity to reformulate national agricultural policy, which would aim at orienting producers towards cooperatives with activity in marketing, management, consultancy, knowledge transfer, and less in land exploitation[31].

However, although cooperatives are promoted in the journals and newspapers addressed to farmers, they don't seem to be so popular between decision-makers. In a recent debate (May 2011) about small farms and the CAP, organized by the Romanian Centre of Public Policies, although one of the main issues is the problem of split land and the huge number of subsistence farms, the debaters (directors in the Ministry or Department of European Affairs, counsellors, civil society members) do not mention cooperatives as a solution for the problems of small farmers[32].

29 Mocanu, Corneliu. Summary of PhD Thesis. " Romanian agriculture in the European context. Potential, results, perspectives."2010.
30 "AGROSTAR: the price of nourishment will increase with 3-5% in the next period", Dailybusiness, 2011, May 27. (http://www.dailybusiness.ro/stiri-companii/agrostar-alimentele-se-vor-scumpi-cu-3-5-in-perioada-urmatoare-63102/)
31 Popescu (2009). p. 219
32 Luca, Lucian. "Subventie multianuala, decuplata de suprafata-o propunere romanesca pentru viitorul fermelor mici din Romania". Romanian Centre for European Policies. 2011

5.1 Cereals

Area and production

According to the 2010 Census, the agricultural surface used by exploitations is 13.3 mil. ha, (55.9% of the total surface of Romania), of which 8.3mil ha is arable land. Cereals and oily plants cover approximately 80% of the arable land.

As in other sectors, cooperatives are marginal enterprises in cereal cultivation. Romania has two agricultures, one is subsistence agriculture (2.6 households with under 1 hectare of land), and the other is agro-industrial agriculture, with farms with hundreds or thousands of hectares of land (9600 households own over 100 hectares of land). Middle farms (between 10 and 100 ha) employ only 12 % of Romania's agricultural surface[33], the middle sector being underdeveloped. Moreover, large farms are the main beneficiaries of European subsidies.

As an associative form of organization for farmers, cereal production is dominated by agricultural societies, the number of cooperatives being scarce.
Prices and trade

5.2 Wheat

Over the last 10 years, wheat production has been varied, with an ascending trend, although the cultivated surface has remained approximately the same (at least in the last 4 years), as seen in Graph 11. Production has been influenced by weather conditions rather than increase in efficiency.

According to certain authors, wheat production is characterized by large variations in crop quality from one year to the other. Although it has been claimed the lack of adaptation of the Romanian varieties to new climatic conditions for higher quality variations, certain studies have shown that the main cause are: the inadequate cultivation technologies for the wheat requirements, harvesting time, improper storage and handling of crops.[34] The variations in quality and production, as well as other factors are reflected in the price of wheat. (see Graph 12).

33 Luca, Lucian "Two extremes don't make one right. Romania and the Reform of the Common agricultural Policy of the EU." p.15, Romanian Centre for European Policies. 2010

34 *Tabără V., Pușcă I, Wagner L., Pop Georgeta, Niță Simona, Gorinoiu Simona, Prodan Monica* (2008): Baking quality of autumn wheat varieties in terms of the Lovrin research resort, Agir Bulletin no. 1 – 2, January – June

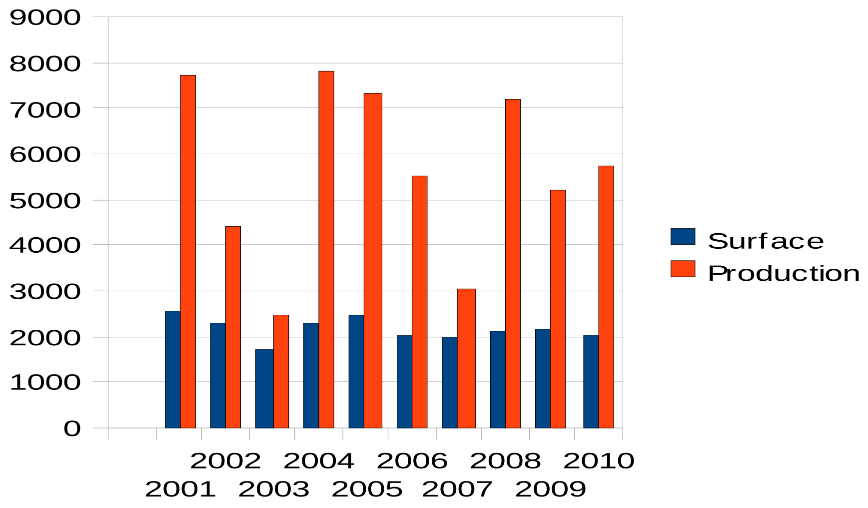
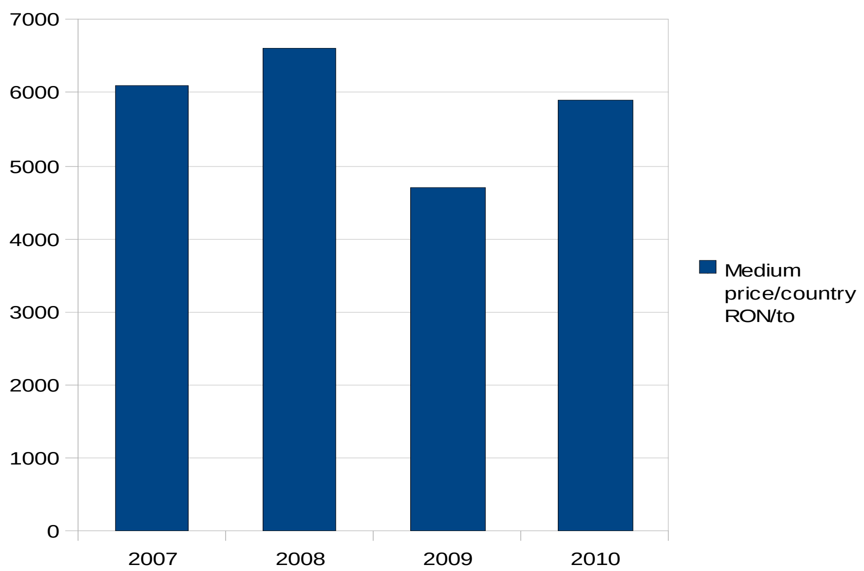


Figure 12. Wheat production 2001-2010 (000 ha, 000 tons). Source: The Statistical Directory of Romania, the National Institute of Statistics, Ministry of Agriculture and Rural Development

The price of wheat varied between 0.66 RON/kg in 2008 to 0,47RON/kg in 2009 and 0.59 RON/kg in 2010 (see Figure 13), with a peak of 1 RON/kg in the first trimester of 2011 (1 RON=aprox. 0.20 Euro).

Figure 13. Price on internal market (medium price per country) RON/ton. Source: The Statistical



Directory of Romania, the National Institute of Statistics, Ministry of Agriculture and Rural Development

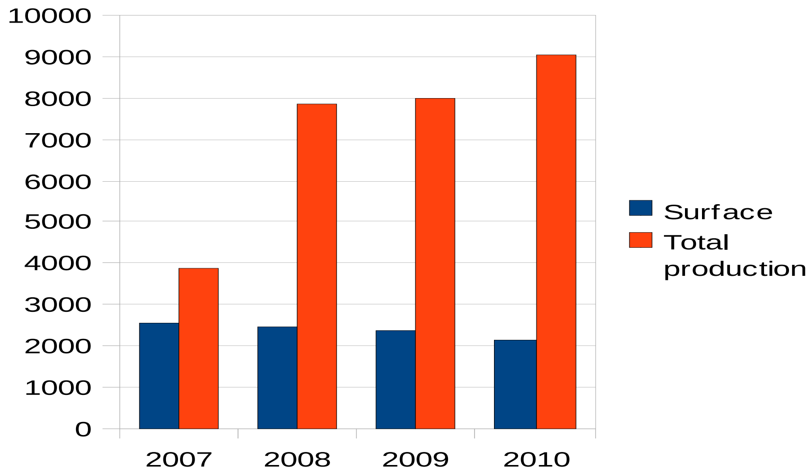


Figure 14. Imports and exports 2007-2010 (000 euro, tons). Source: National Customs Authority and the National Institute of Statistics. *2010 Jan-Nov, value: 000 euro, quantity: tons.

Good wheat production is reflected in the exported quantity (more than 2 million tons in 2009 and 2010) (See Figure 14), while export value rose to 381 635 000 Euro in 2008, 302 947 000 in 2009 and 379 446 in 2010. However, Romania's production represented 4.8% of EU27 in 2008.[35]

5.3 Corn

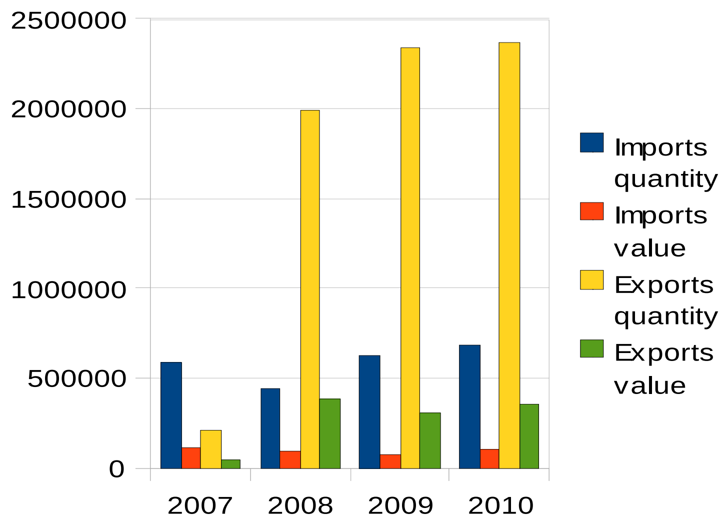


Figure 15. Corn production 2007-2010 (000 ha, 000 ton). Source: The Statistical Directory of Romania, the National Institute of Statistics, Ministry of Agriculture and Rural Development

Although the production of corn rose in 2009 and 2010 in comparison with 2007, and Romania ranks first regarding the cultivated surface and 2nd regarding the total production (in the EU), when it comes to production/ha, things don't look so well, with only 3,4 to/ha, compared to France's 9,1, Italy's 8,2, Hungary's 6,4. According to one representative of producers, the

35 Ionel, Iuliana;Alexandri, Cecilia. “The production and price of wheat in the world and in Romania”. Agro-business, 27.02.2010. http://www.agro-business.ro/productia-si-pretul-graului-in-lume-si-la-noi/2010/02/27/

potential of Romania would be at 14-15 to/ha, if agriculture was made properly, thus meaning proper irrigation and fertilizers.[36]
However, in the prospects of 2016, the cereal consumption per inhabitant in Romania will increase by 27% in 2016 compared to 1996. The highest rate is predicted for corn (with 74,4%).[37]

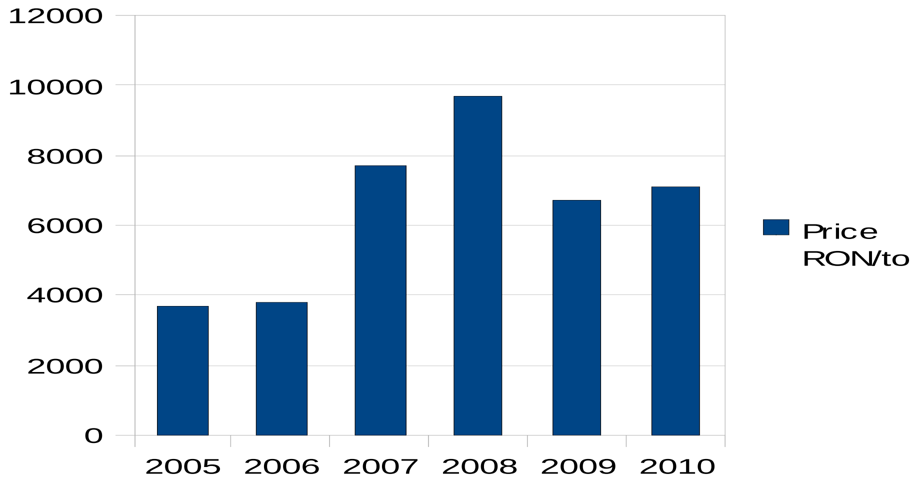


Figure16. Development of prices 2005-2010 (RON/ton). Source: The Statistical Directory of Romania, the National Institute of Statistics, Ministry of Agriculture and Rural Development.

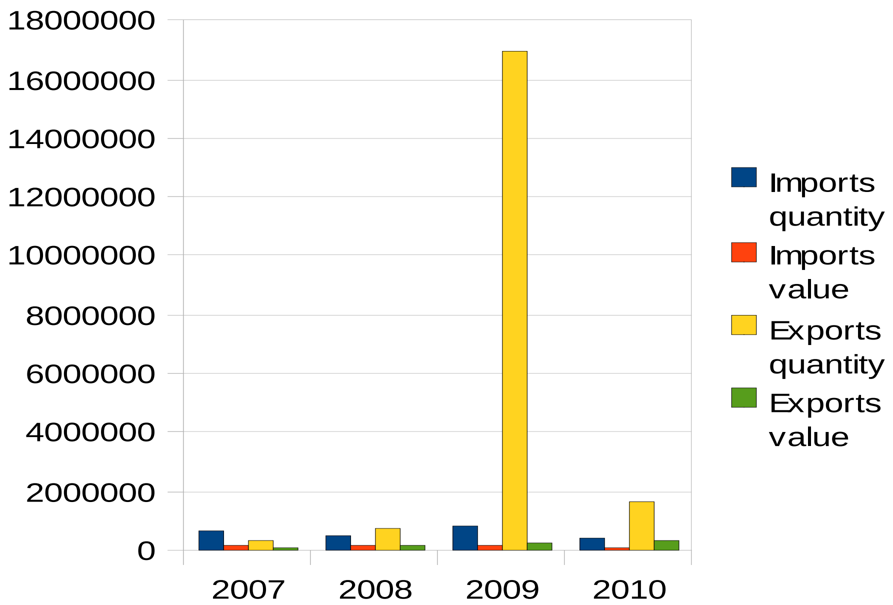


Figure 17. Imports and exports 2007-2010 (tons, 000 euro). Source: National Customs Authority and the National Institute of Statistics. *2010 Jan-Nov, value: 000 euro, quantity: tons.

36 Barbu, Paul."We want miracles in agriculture without water and subventions". "Evenimentul zilei", August 16th, 2010. http://www.evz.ro/detalii/stiri/vrem-minuni-in-agricultura-fara-apa-si-subventii-903225.html
37 Chiran, A., Drobota, B., Gindu, E.,. "Prospects of the worls cereal market", University of Agricultural Sciences and Veterinary Medicine, 2007.

In 2010, Romania entered the worldwide top ten of corn producer countries, with a production of 9 million tons worth 1.3 billion euro (Graph 14). Romania ranks 1st in the EU according to its area cultivated with corn, but due to low efficiency, its production of 2010 made up only 16% of EU's total production.

5.4 Barley

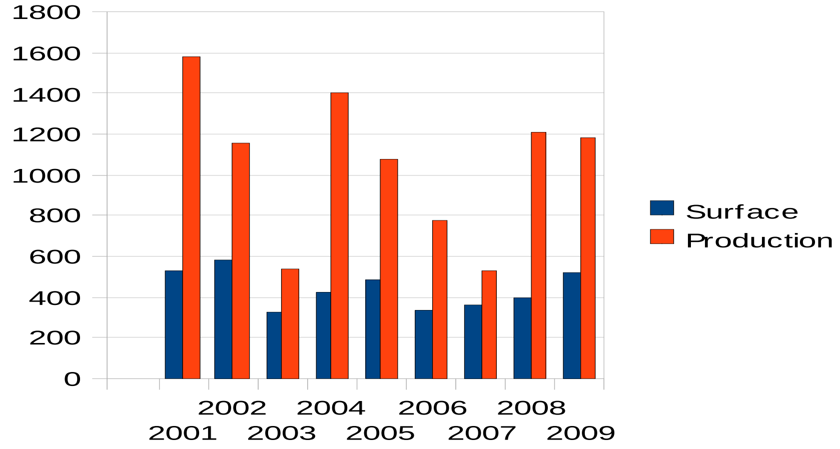


Figure 18. Development of production 2001-2009 (000 tons/ 000 ha). Source: Ministry of Agriculture and Rural Development

Compared to wheat or corn, Romania's barley production is lower. Production of barley fluctuated between 2001-2009 (See Figure 18), with a tendency to stagnate in 2008-2009, as prices did in 2009-2010 (Figure 19).

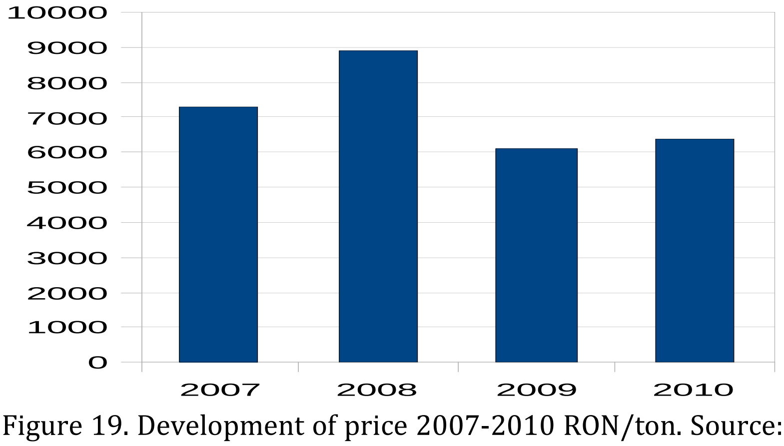


Figure 19. Development of price 2007-2010 RON/ton. Source: Ministry of Agriculture and Rural Development

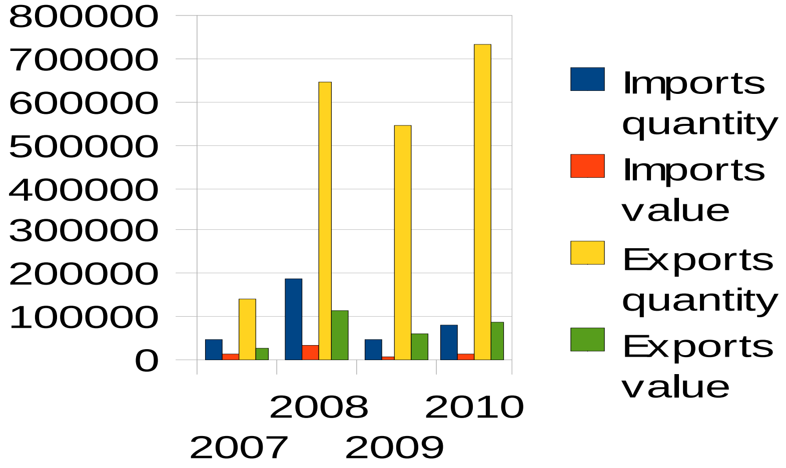


Figure 20. Development of imports and exports 2007-2010 (tons, 000 euros). Source: Ministry of Agriculture and Rural Development

Exports with barley increased substantially in 2008-2010 compared to 2007 (See Graph 19), in 2008 the main export partners being Saudi Arabia 44,3%, Syria, Libya, Tunisia and Cyprus, while imports came from Hungary, Bulgaria, France, Estonia and Slovakia.
Policy
According to a press release from the Ministry of Agriculture, following the intervention of AGROSTAR (National Federation of Unions from Agriculture and Connected Services) that challenged the Ministry to intervene on the market for the protection of Romanian farmers, the Minister stressed out that the cereal market of Romania functions according to the same rules as the market of the EU. Romania cannot apply a different trading policy.
The press release states that the market has been characterized lately by the following: 1) an increased demand from traders that acquired significant quantities with the intention to export, 2) selling prices on the rise, and 3) a potential for speculation on the market.
However, the Ministry refused to intervene with administrative protectionist measures on the market, as it would violate EU regulations. Moreover, the Minister assured that the quantity of cereals meant for internal consumption was secure[38].

Cereal cooperatives

As in other sectors, cooperatives are marginal enterprises in cereal cultivation.
Romania has two agricultures, one is subsistence agriculture (2.6 households with under 1 hectare of land), and the other is agro-industrial agriculture, with farms with hundreds or thousands of hectares of land (9600 households own over 100 hectares of land). Middle farms (between 10 and 100 ha) employ only 12 % of Romania's agricultural surface[39], the middle sector being underdeveloped. This is the main sector where cooperatives should be present, and their presence should diminish the large number of small farms.

In the cereal sector, most of the associative forms of organization for farmers are agricultural societies, the number of cooperatives being scarce. According to the Ministry of Agriculture and Rural Development (August 2011 data), there are 23 recognized producer groups in this sector in Romania, of which 4 are cooperatives (Braicoop Cooperativa Agricola, Chereji Piscolt

38 Ministry of Agriculture and Rural Development press release, February 2010 (http://www.madr.ro/pages/view_presa.php?id=3961).
39 Luca, Lucian "Two extremes don't make one right. Romania and the Reform of the Common agricultural Policy of the EU".p.15 Romanian Centre for European Policies, 2010

Cooperativa Agricola, Cooperativa Agricola “Sase spice”, Dorobantu Cooperativa Agricola). There is only two other functional cooperatives that were identified in this domain (Cooperativa Dobrogea Sud-the biggest one, according to the 2009 turnover, and Consortiul Ileana Cooperativa Agricola), the rest of the market being dominated by very large farms (which are the destination of most of the European subsidies-0.9% of farms received 51%of subsidies), which are organized either as limited liability companies, either as agricultural societies[40]. From the interviews and the research done in this project, the existing cooperatives are not represented nationally by a second level organization.

Cooperatives sell their production either to product manufacturers (ex. oil manufacturers), either to national and international marketers of agricultural products.

During the interviews, I have concluded that the difficulties that arise in the existence of cooperatives in this sector come from juridical matters linked to internal governance (the application of the law is difficult, transfer of know-how is necessary in practical matters such as how can all members of the cooperative sign the documentation of the cooperative, etc.), high fiscality, the legacy of old communist cooperatives, motivating farmers to perform inside the cooperative. However, according to the interviews, farmers are starting to be more aware of the benefits of cooperatives and are becoming more keen to choose this form of organization. The good performance of cereal cooperatives has been influenced by the price of cereals in 2010 and 2011.

5.5 Sugar

Romania is a small sugar producer in the EU, internal consumption being far larger than production. White sugar is a commodity that is traded at large scale, Agrana Romana SA being Romania's market leader.

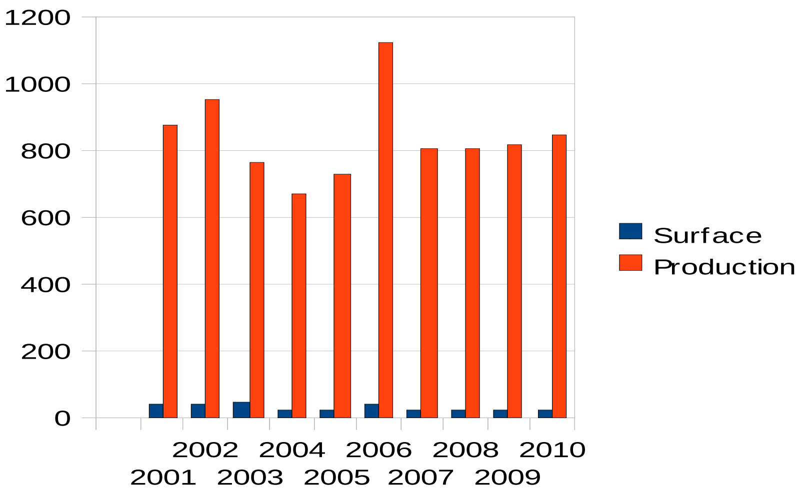


Figure 21. Development of production 2001-2010 (000ha, 000tons). Source: Ministry of Agriculture and Rural Development

40 idem

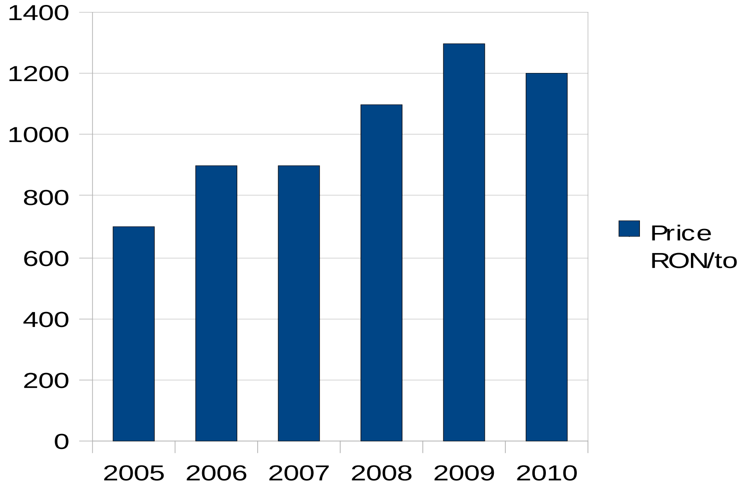


Figure 22. Development of price 2005-2010 RON/ton. Source: Ministry of Agriculture and Rural Development

Sugar prices are the same as in the EU countries, with an increasing tendency starting with 2008 (Figure 22).

In this sector, no cooperatives were identified. There are ten major producers of sugar and two producer groups in sugar beet cultivation. Producers are represented by 4 associations: "Sugar" Interprofessional National Organisation, National Federation of Sugar Beetroot Growers, Association of Sugar Producers from Sugar Beetroot, Sugar Employers from Romania.

5.6 Fruits and vegetables

Romania ranks on the 6th place in Europe (after France, Spain, Poland, Italy and Germany) regarding the total area cultivated with fruits and vegetables.
The fruit and vegetable sector is confronted with the following problems:

- large number of small farms;
- outdated machinery;
- diminished surfaces cultivated with vegetables;
- fragmented land, old fruit-growing farms;
- low efficiency of production.

However, the potential of the sector comes from a large number of exploitations, large variety of cultivated fruits and vegetables, good climate conditions. Although the variety of species is high, the added value of products is low, due to lack of marketing knowledge, lack of modern machinery, etc. Also, the sector is vulnerable to crisis that come from chaotic production, diseases, imports from Asian countries that affect especially the vegetables sector, and as most of the farmers are not insured, the losses are supported mostly by producers.[41]

From among Romania's total fruit and vegetable production, 35% represents vegetables and watermelon, 35% potatoes, 15% grapes, 15% other fruits.

The Romanian production of fruits and vegetables is 60% oriented to urban markets or is sold at the farm's gate.

41 The National Strategy for Operational Programmes in the fruits and vegetables sector.2009-2013. (http://www.madr.ro/pages/vegetal/strategie-nationala-sector-legume-fructe.pdf)

Vegetables Production

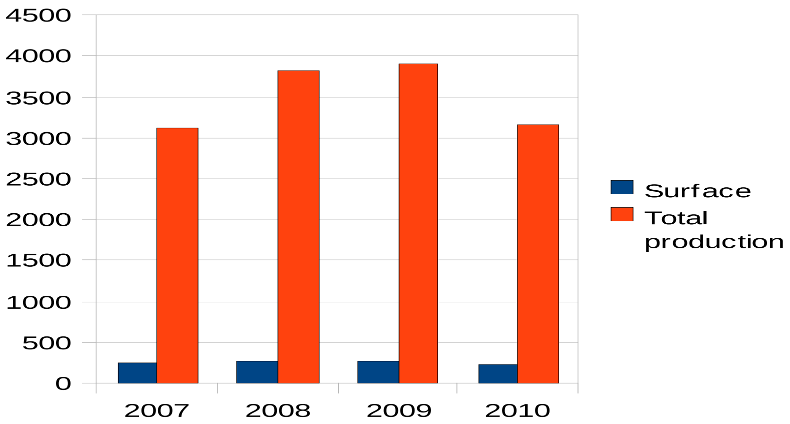


Figure 23. Development of production 2007-2010 (000 to, 000 ha). Source: Ministry of Agriculture and Rural Development

Romania produces 22.8% of EU's melon and watermelon production, 17.9% cabbage, 12.3% eggplant, 4.9% onion, other vegetables representing less than 3% of EU's production.

The local vegetable production is very fragmented, as 90% comes from households and only 10% from large farms. Romanians rather eat vegetables that are produced locally, as they are fresh and taste better. Costs are lower and competitive in comparison with the imports coming mainly from Turkey. Lately, local production has been covering more than 70% of the demand, the rest coming from imports- tomatoes, potatoes and onion. Also, the consumption of vegetables/person has increased from 151.1 kg in 2001 to 230 kg in 2008[42].

Fruits

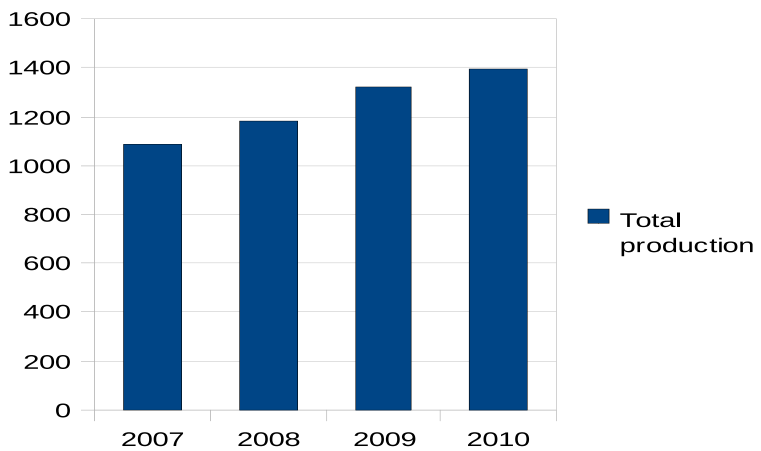


Figure 24. Development of production 2007-2010 (000to). Source: Ministry of Agriculture and Rural Development

Romania produces 9.3% of the EU's plum production, 3.6% of apple production and 2.2% of cherry production, for the other fruits the production share is less than 1%.

42 “Piata legumelor si fructelor de 1 milion de euro”, Revista Lumea Satului nr. 15, August 2008

Trade

According to the National Strategy for Operational Programmes in the fruits and vegetables sector.2009-2013., vegetable producers are threatened by hyper markets and massive imports. The fresh merchandise is collected by direct distributors, specialized shops and super markets that have contracts either with distributors, either with producers. Regarding the volume of traded goods on the different channels, only speculations can be made, as it is appreciated that more than half of the merchandise is taken by intermediaries. Few farmers can sell their merchandise to supermarkets (less than 10%), as they don't usually meet the requirements of quality and quantity and contracts are not signed.[43]

Cooperatives

There are 22 producer groups and 1 producer organization (SC Hortifruct SRL) recognized by the Ministry of Agriculture and Rural Development according to Council Regulation no. 1234/2007. Of these, only two are cooperatives: Legumicola Plesoiu Cooperativa Agricola (producer group since 2007) and Cooperativa Agricola Stoian Land (producer group since 2010).

Apart from producer groups, there were identified 13 cooperatives in this sector (fruits and vegetables production) that registered a turnover above 0 in 2009. They are: COOPERATIVA AGRICOLA RO-CHAMP, COOPERATIVA AGRICOLA - POMICULTORUL DAMBOVITEAN, TARINA-COOPERATIVA AGRICOLA, COOPERATIVA AGRICOLA PROGRESUL, LEGUMICULTORUL BALENI COOPERATIVA AGRICOLA, COOPERATIVA AGRICOLA ECO LEGUM VIDRA, COOPERATIVA AGRICOLA AGROSTAR, HORTICOLA LEORINT COOPERATIVA AGRICOLA, COOPERATIVA AGRICOLA DISTRIPROD, COOPERATIVA AGRICOLA AGROECOLOGICA 2002, DOR DE MUNCA COOPERATIVA AGRICOLA, COOPERATIVA AGRICOLA LEGUROM, COOPERATIVA AGRICOLA VIA DOMNULUI. There may be others as well, but they are very difficult to identify. They are not organized in a national structure, data bases of the Ministry contain cooperatives that are not active, and their turnover could be spotted in the evidence of the National Institute of Statistics. Also, there is one more registered as trade cooperative: COOPERATIVA AGRICOLA GRUP DE PRODUCATORI FRUTIS VOINESTI. Other cooperatives are: Cooperativa agricola "Familia", Cooperativa Agricola proleg Slobozia Moara, Lotus-Cooperativa agricola. Most of cooperatives are in this sector.

The representatives complained about high fiscality and many controls and applied penalties, the rise of VAT. The conditions to enter cooperatives/producer groups are permissive. Production goes to export, supermarkets and food marketers (distributors).

5.7 Olive oil and table olives

Romania does not produce these products.

5.8 Wine

Romania is a country of viticulture; it has been a member of OIV since 1972. Wine is cultivated quite intensively, the entire growing area being divided into 8 wine regions.

43 National Strategy for Operational Programmes in the fruits and vegetables sector.2009-2013, p.14

According to the Government Decision no 1432/2005, art.1, the wine sector of Romania represents a domain of national importance, a priority in the strategy of sustainable development of agriculture.
Romania ranks 6th in wine production in Europe, following France, Italy, Germany, Spain and Portugal and ranks among the top 5 countries according to the vine growing area.
The average yearly production of wine is 5.5-6 million hectolitres, and in the period 2000-2008 the production was quite constant- the exception registered in 2005 being caused, among others, by unfavourable meteorological conditions).

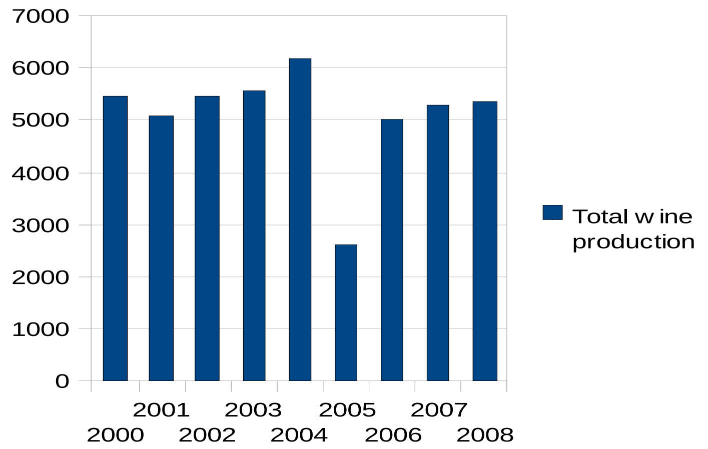


Figure 25. Development of Wine Production 2000-2008 (000 hl). Source: MADR

Policy

According to the National Support Programme agreed in 2007, Romania has chosen 4 measures to be financed: promotion on third countries markets; restructuring and reconversion of vineyards; insurance of vineyards; the use of concentrated grape must.

The beneficiaries of reconversion programmes are wine producers, physical or juridical persons who cultivate noble vineyards.

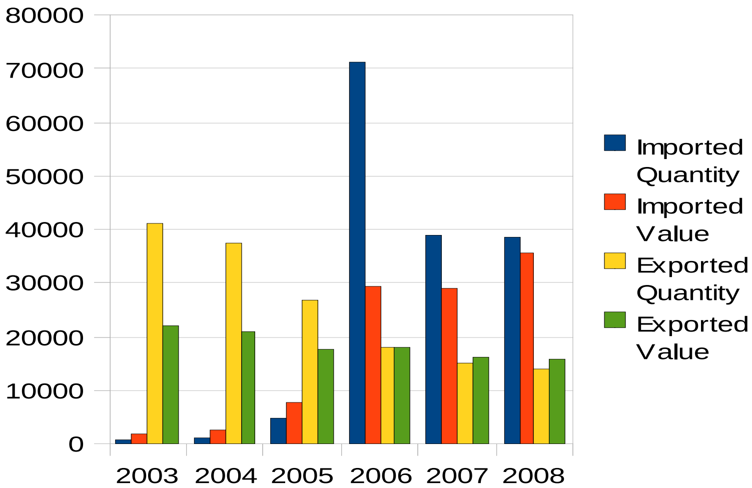


Figure 26: Wine import and export, 2003-2008 (in tons and 000 euro). Source: MADR

Starting with 2006, an important shift took place in the commercial balance: the quantity and value of imported wine increased significantly, while the exported quantity of wine diminished. However, the decrease of exported value was not so significant.

No.	Specification	Unit	2007	2008	2009	2010
1	Cultivated vineyards for wine	Ha	180 402	181 540	181 793	181 562
2	Total production of wine	000 hl	5.289	5.159,4	6 703	3287,2
3	Total surface in the reconversion programme	ha	4.861	4 834,16	5 339, 51	5 124
4	Total quantity of Romanian wine traded in Romania, of which: - DOC - IG - table	000 hl	5.108,8 320,9 601 4.186,9	5.229,3 305,1 759 4.165,2	4.862,4 256,3 968,9 3.637,2	222,3
5	Total quantity of Romanian wine exported outside Romania, of which: - in the EU - outside the EU	000 hl	180,1 122,7 57,4	139,9 106,8 33,1	94,9 71,7 23,2	
6	Total quantity of wine imported in Romania, of which: - from the EU - from outside the EU	000 hl	509,1 249 260,1	220,2 176,1 44,1	130,1 114,9 15,2	

Source: MADR

Cooperatives

Like in other sectors, the number of cooperatives is scarce. In this project, two cooperatives were found, which unfortunately suspended their activity: COOPERATIVA AGRICOLA SARBA VIN DIVIN, COOPERATIVA AGRICOLA VITI-VINCLUB. Although the leader of one of the cooperatives that was interviewed mentioned that a couple of years ago they managed to sell wine to several supermarkets and they had a cooperation with German similar structures, the cooperative had to suspend its activity, one of the reasons being the heavy fiscality and lack of support.

Apart from the scarce number of cooperatives, there are many associations of wine producers, processors, traders or professionals, many of which are grouped in ONIV- The National Interprofessional Wine Organization. Such associations are present in the 8 wine regions:

1. The Wine Region of the Transylvanian Plateau: *Asociaţia Vitis Transilvania Jidvei;*

2. The Wine Region of the Hills of Muntenia and Oltenia: *Asociaţia Profesională Vitivinicolă Dealu Mare, Asociaţia Producătorilor şi Exportatorilor de Vinuri din România, Asociaţia Producătorilor şi a Comercianţilor de Vinuri cu Denumire de Origine Tohani;*

3. The Wine Region of the Hills of Moldavia: *Organizaţia Profesională Vitivinicolă Panciu, Asociaţia Interprofesională Vitivinicolă Vrancea Pietroasa, Asociaţia Profesională Domeniile Cotnari, Vinia Iaşi, SC Vitivinicola Avereşti 2000 S.A., Asociaţia Vitivinicola Dumbrava;*

4. The Wine Region of Banat: *Asociaţia Profesională Vie Vin Recaş Timiş, Asociaţia PROVITIS Arad;*

5. The Wine Region of Crisana and Maramures: *Asociaţia Profesională a Viticultorilor din Miniş Măderat, Asociaţia Cavalerii Vinului Sfântul Orban – Carei, Asociaţia Vinţeler Bihor, Asociaţia Non Profit a Viticultorilor Carei;*

6. The Wine Region of the Terraces of the Danube: *Asociaţia Profesională Vitivinicolă Terasele Dunării Ostrov;*

7. The Wine Region of the Hills of Dobrogea: *Asociaţia Profesională Vitivinicolă Medgidia, Asociaţia Profesională Vitivinicolă Colinele Dobrogei;*

8. The Wine Region of the Sands and Other Favourable Regions of the South: *Asociaţia Profesională Vitivinicolă Viile Teleormanului Zimnicea, Asociaţia Producătorilor de Vinuri Vitivinicole Însurăţei;*

These associations are organized as non for profit organizations according to OG 26/2000 regarding associations and foundations, and not as cooperatives. They are not involved in the process of production of wine, they are not producer groups, but rather professional associations. Although some of them informally help each other out (according to the interviewed persons), these actions are not formally mentioned in the statute of the organization. The importance of these organizations comes, for instance, from the bargaining power that the association of the members confer, thus being an interface between offer and demand. According to the interviewed persons, the price of grape in 2011 was favourable for producers due to the negotiations carried out by these associations. Also, they play an important part in the fight against counterfeit and forgery -substitutes to wine.

The organizational chart of the associations has the following structure: General Assembly, Board of Directors, President and Vice-President, Censor.

Producers of wine in Romania are mostly companies that are grouped in associations of producers and are represented at national level by ONIV- The National Interprofessional Wine Organization. The database of wine producers existing on the website of the Ministry of Agriculture lists 361 wine producers, most of them being limited liability companies. There are 54 entities that are listed as physical persons, family associations or research institutes, no coop type organizations being mentioned.

ONIV is recognized by the Ministry of Agriculture as being the only representative association of wine producers, processors and traders at national level. Its members are 30 regional associations of producers, processors or professionals of wine, in 2011 the Federation of Sommeliers of Romania becoming a member.[44]

44 www.oniv.ro

ONIV was founded in 2002, its objective being the regulation of production, processing, storing, distribution and trade of wine. According to its statute, it defends the interests of producers, respecting regional diversity. ONIV is a very active organization, being part of working groups for the elaboration of legislation, it proposes the members of the Wine Regions Council from the National Office of Vineyards and Wine Products, etc. They are financed by the fees of the members.

5.9 Dairy

Production

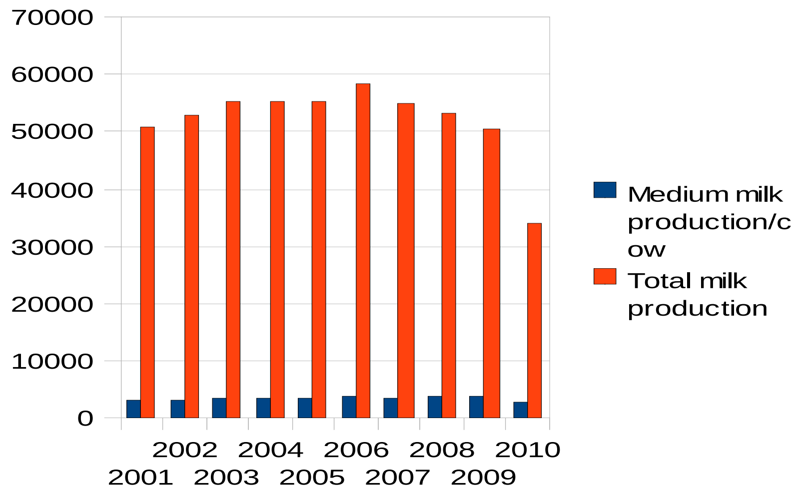


Figure 27. Development of milk production, 2001-2010* (000 hl) *2010- 9 months Source: MADR

According to the National Institute of Statistics, the total milk production diminished in January 2011 by 8.4% in comparison with January 2010, from 68 770 to 63 003 tons. Also, a major decrease was registered for butter (-9.8%), yogurt (-8%), cheese (-5.8%), cream (-2.9%).
According to an interview given by Mr. Valentin Blanaru, General Manager of the Romanian Employers Association in the Dairy Industry, the legislation for incentives given by the state expired on the 1st of January 2010 and the state stopped paying the producers at that date. Moreover, payments will probably not be given soon, as the state lacks the necessary financial means. Under these harsh conditions, people are selling their cattle, while the cost of dairy is constantly increasing[45].

Cooperatives

The number of cooperatives is scarce, some of them are functioning only as collecting points for milk and thus no real benefits are encountered by farmers. Although some of them managed to implement projects financed from European sources (ex. BIOLACT), due to the difficulties encountered (such as juridical problems of lands-no cadastre evidence, difficulty to make investments), the cooperatives are functioning with difficulty. As some of the interviewed persons mentioned, the functioning of cooperatives is altered by the lack of confidence in coop structures. Also, many farmers are unable to meet the conditions set by cooperatives and prefer to sell their milk on the black market.

45 "Industria laptelui pusa la pamant de lipsa legislatiei". Curierul national.2010, 16 September (http://www.curierulnational.ro/Economie/2010-09-16/Industria+laptelui+pusa+la+pamant+de+lipsa+legislatiei)

As in the case of other sectors, cooperatives are not represented nationally by a specific structure and it is very difficult to find a real evidence of their existence. (APRIL- The Romanian Employers Association in the Dairy Industry's members are the big processors of dairy products from Romania - 45 members, and no cooperatives are between them). Also, 2nd tier cooperatives were not identified.

7 cooperatives were identified in this sector: COOPERATIVA AGRICOLA SULITA, BIOLACT COOPERATIVA AGRICOLA, ARINISUL-CALIMANI COOPERATIVA AGRICOLA, TATARAGRO COOPERATIVA AGRICOLA, Cooperativa agricola Noul Fermier, TIMLACTAGRO COOPERATIVA AGRICOLA and ARIESUL SOMESENI COOPERATIVA AGRICOLA. Timlactagro was established in 2010 and Ariesul Someseni in 2011, and, from the interviews and turnover so far, it results that their activity is very promising, as they negotiate their inputs and the price of milk in conditions that bring advantages to the farmers.

There are several recognized producer groups, such as: Asociatia crescatorilor de taurine Ardan, Asociatia crescatorilor de taurine Corvinesti, Asociatia crescatorilor de taurine Telciu, Asociatia grupului de producatori Ieduta, Asociatia Crescatorilor de Bovine Cata, Asociatia crescatorilor de animale Doboseni, Asociatia crescatorilor de bovine Brates, Asociatia crescatorilor de animale Virghis, Asociatia Crescatorilor de Bovine Bat, Asociatia crescatorilor de animale domestice Fenyves, Societatea Agricola Spicom, Societatea Agricola Silv-Alim, Asociatia crescatorilor de animale Belani judetul Covasna, Asociatia crescatorilor de bovine Meresti, Asociatia agricola Stramtura Vama, Asociatia crescatorilor de taurine Timineanca, Asociatia crescatorilor de taurine Izvorul alb, Asociatia Producatorilor si Crescatorilor de taurine "Uniunea Fermierilor Bucovineni"- Piatra Soimului.

5.10 Sheep meat

Sheep breeding is a traditional, sustainable activity, and, according to the information available on the Ministry's site and interviews, sheep meat exports could bring important earnings for producers.[46]

Production

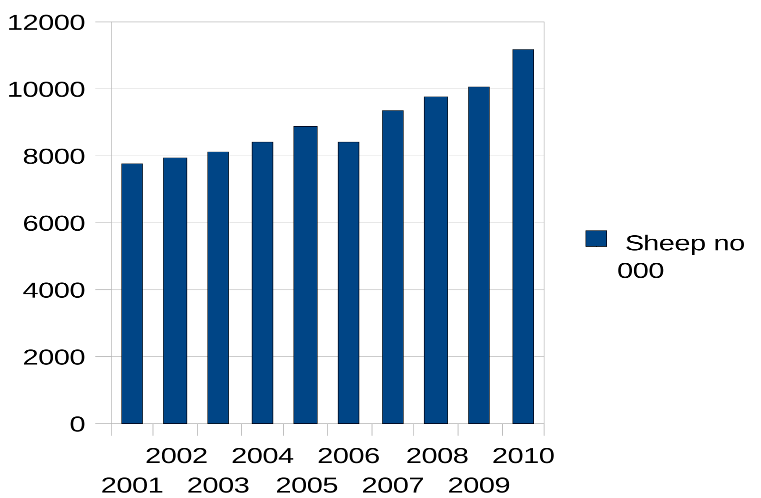


Figure 28. Development of production 2001-2010 (000) Source: MADR

46 Ministry of Agriculture and Rural Development-"Sheep and goats". (http://www.madr.ro/pages/page.php?self=015&sub=01501&tz=0150103)

Trade

The production of sheep meat goes mostly to export, to countries from the Middle East, and good diplomatic relations, as well as a tension-free climate in the region could influence positively producers' earnings.

In February 2011, Ioan Campeanu, president of ROMOVIS (Romanian Association of Sheep Breeders) declared to a central newspaper that breeders could lose 30-40 million euros because of the political situation in Libya, one of its main trading partners with more than 1 million lambs going to Libya every year. Romanian exports start in March and last until the end of the year, and are mainly comprise of lambs. Apart from Libya, Romanian exports go to Greece, Italy and Syria. Campeanu declared that if the situation in Libya continues to be tensioned, exports will be reoriented to Greece and Turkey. Following this situation, in March 2011 the representatives of ROMOVIS met with the Minister of Agriculture, Valeriu Tabara, in order to discuss financial incentives for the support of this sector[47].

Cooperatives

Like in other sectors, few cooperatives exist and 2 were identified: MIORITA BENICEANA COOPERATIVA AGRICOLA, COOPERATIVA AGRICOLA TRANSILVANIA OVI-CARN. Also, there are recognized producer groups in this domain: Asociatia crescatorilor de ovine Magura, SC Ovinex Prod SRL, SC Animal Prod Vidraru. From the interviews, it seems that producers have decided to organize themselves, as soon as possible, in a national organization of coop type in order to respond to the high demand of lamb meat that comes from Middle East countries and that could assure producers important earnings. Producers are represented at national level by the Sheep Breeders Federation.

5.11 Pig meat

Pig breeding is a traditional activity in Romania (traditionally, every household in rural areas has a pig) and pig meat is largely consumed. The level of pig meat consumption/inhabitant is directly linked to the production as well as the purchasing power of population[48].

47 “Romanian sheep breeders lose 35-40 million euros if they stop exporting to Lybia”. Ziarul “Bursa”. 2011, March 21 (http://www.bursa.ro/crescatorii-romani-de-ovine-pierd-30-40-milioane-de-euro-daca-nu-mai-exporta-in-libia-112957&s=companii_afaceri&articol=112957&editie_precedenta=2011-03-21.html)

48 Ministry of Agriculture and Rural Development, www.madr.ro

Production

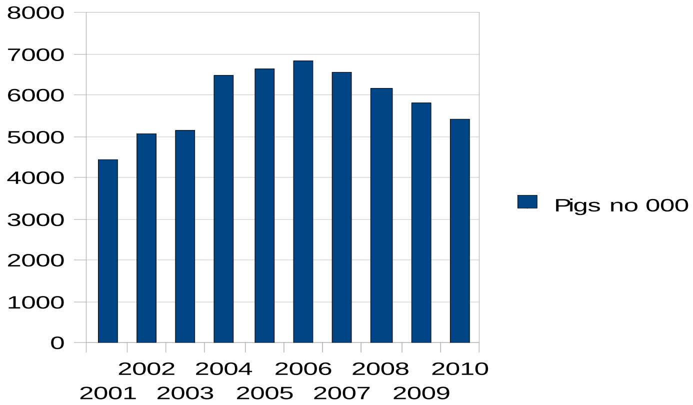


Figure 29. Development of production 2001-2010 (000 no) Source: MADR

Of the 63 pork producer units that are mentioned on the website of the Ministry, none is a Cooperative. Apparently, the 5 cooperatives in pork production that were identified (National Institute of Statistics), ceased their activity. Apart from them, there is one cooperative that was recognized as producer group in 2011: Cooperativa Agricola Bucovina Nord. Nevertheless, pig meat industry was profitable until 2007 when financial incentives ceased. Cooperativa Sud Muntenia, a cooperative specialised in pig meat production was considered a success story for Romania until recently, when apparently it has been struggling bankruptcy. Its case is detailed in chapter 2.4.

6 Overview of policy measures

Regulatory framework

The performance of cooperatives (including producer organisations) is influenced by the regulatory framework in a country. This framework is multi-level: EU regulations, national laws and –in some countries- even regional policies influence the way cooperatives can operate. In this chapter we look especially at the regulatory framework that influences the competitive position of the cooperative versus the investor-owned firm (IOF) or the competitive position of the cooperative versus other players in the food chain (e.g. the retail sector).

These competitive positions are influenced within the regulatory framework by much more than the law that establishes the rules for running a cooperative (business organisation law). Well known other examples include agricultural policy (e.g. the EU's common market organisation that deals with producer organisations in the fruit and vegetables sector), fiscal policies (at the level of the cooperative and the way returns on investments in cooperatives are taxed at farm level) and competition policies. There are different types of policy measures in the regulatory framework (McDonnell and Elmore (1987):

POLICY MEASURE TYPE	DEFINITION
Mandates	Rules governing the actions of individuals and agencies
Inducements	Transfer money to individuals in return for certain actions
Capacity Building	Spending of time and money for the purpose of investment in material, intellectual, or human resources (this includes research, speeches, extension, etc.)
System Changing	Transfer official authority (rather than money) among individuals and agencies in order to alter the system by which public goods and services are delivered

The objective of this project / report is to identify support measures that have proved to be useful to support farmers' cooperatives. In section 5.2 the relevant policy measures and their potential impact in Romania are identified. In section 5.3 a number of other legal issues are addressed.

6.1 Policy measures

The table below identifies the policy measures that influence the competitive position of the cooperative versus the investor-owned firm (IOF) or the competitive position of the cooperative versus other players in the food chain (e.g. the retail sector).

Table C. Policy Measure Description

Policy Measure Name	**Policy Measure Type**	**Regulatory Objective**	**Policy target**	**Expert comment on effects on development of the cooperative**
(Official) name of the policy measures	**Mandate e.g.** - Cooperative legislation/incorporation law - Market regulation and competition policies	- Correction of market or regulatory failures - Attainment of equity or	- Specific to cooperatives - Specific to an agricultural sub-sector	Description on how the policy measure affects development of cooperatives, by reasoning through the building blocks: - Position in the food chain - Internal Governance

	Inducement - Financial and other incentives **Capacity Building** **Technical assistance** **System Changing** **Other**	social goals	- Applicable to business in general	- Institutional environment of the cooperative
Law no. 544/December 9, 2004 regarding agricultural cooperatives	**Mandate** Cooperative legislation/ Corporation law	Correction of regulatory failures Attainment of equity or social goals	Specific to agricultural cooperatives	This is the most important piece of legislation that regulates the organization and functioning of agricultural cooperatives in Romania. This law precedes the general law on cooperatives, which explains its detailed provisions and the redundancy with the content and structure of the general law. It nevertheless has the statute of special law and the general law applies only to matters not covered by it. It regulates the internal governance of coops and influences their position in the food chain. This piece of legislation permitted the reintroduction of agricultural cooperatives on the market, after their dissolution after 1989. However, one can argue that the apparition of the law has not had a big impact on the coops development, as, according to Government statistics, less than 200 agricultural coops exist in Romania. Farmers have preferred to organize themselves in agricultural societies or companies rather than cooperatives. However, most of the legislation on cooperatives that has appeared was built on this law.
Law no.1/February 21, 2005 regarding the organization and functioning of cooperatives	**Mandate** Cooperative legislation/ Corporation law	Correction of regulatory failures Attainment of equity or social goals	Specific to cooperatives	Law that regulates the general framework of organization and functioning of cooperatives in Romania (not only agricultural cooperatives). Law 1/2005 created a unitary legal framework for the organization and functioning of the cooperative societies by promoting the cooperative principles internationally recognized, by setting the autonomy in making decisions

				and liberty of action, as well as the liberty to associate to county or national unions. The adoption of this law, together with law 544, established the premises for the development and the revitalization of the cooperative sector, thus marking a significant improvement in regulating the cooperative sector. The law impacts the internal governance of cooperatives, as well as position in the food chain.
Law no.32/January 16, 2007 that modifies Law no. 566/2004 on agricultural cooperatives	**Mandate** Cooperative legislation/ Corporation law	Correction of regulatory failures	Specific to agricultural cooperatives	The law corrects the regulatory failures of law 544/2004on agricultural cooperatives by addressing important aspects such as the evaluation of goods of new members that will add to the equity capital of the cooperative at joining, distribution of profit, exclusion of members. The law regulates the internal government of cooperatives.
Law 36/1991 regarding agricultural societies and other forms of association in agriculture	**Mandate** Cooperative legislation/ incorporation law	Correction of regulatory failures	Specific to cooperatives	The law establishes the framework for the set up of agricultural societies and other forms of association in agriculture. These entities are related to the "classic" cooperatives and are a popular form of organization in Romania after 1990 that permitted farmers to associate after the dissolution of communist cooperatives. The law impacts the internal government of cooperatives, as well as the position in the food chain.
Ordinance 37/2005 regarding the recognition and functioning of producer groups that commercialize agricultural and forest products	**Inducements** Financial and other incentives	Correction of market failures	Applicable to business in general	The ordinance establishes the framework for the constitution of producer groups that commercialize agricultural and forest products. The law permits to producers organized in corporations, cooperatives, agricultural societies or associations to organize themselves in producer organizations, in order to benefit from certain incentives given by the state. The law impacts the position of cooperatives in the food chain as well as the institutional environment.

The National Programme for Rural Development for 2007-2013 (financed by the European Fund for Rural Development and national budget)	**Inducements** Financial and other incentives **Capacity Building** Technical assistance	Correction of market failures	Applicable partly to producer groups, partly to business in general	The National Programme for Rural Development offers, through EFRD and national budget, important financial support for the development of businesses from rural areas. Several measures are targeted to producer groups: Measure 142 finances the creation of producer groups-138.855.905 Euros have been allocated to this measure. Until 24.06.2011, only 277,592 Euros have been paid, while contracts were signed for 1,684,611 Euros. (payments are given according to the value of commercialized products);(To be noted that only the measure 142 provides support to producers groups, while the others measures mentioned foster in certain extend the farmers participation in associative forms). Measure 121 finances the modernization of agricultural exploitations; Measure 123 finances the increase of the value of agricultural products;. Measure 143 finances consultancy given to farmers.
Government Decision no. 1195/2008 regarding the granting of financial incentives in the fruit and vegetables sector and ecological agriculture	Inducements Financial and other incentives	Correction of market failures	Specific to an agricultural sub-sector	The law impacts the position of fruit and vegetables sector cooperatives (POs) in the food chain. If producers are part of a producer organization, the financial aid triples. The government Decision impacts the position of cooperatives in the food chain as well as the institutional environment.

The legislation that regulates cooperatives, agricultural cooperatives and producer groups seems sufficient to assure a proper framework for the development of associations between farmers. In 1991, the law that established the constitution of agricultural societies was adopted; it preceded the law regulating the constitution of agricultural cooperatives. In 2004 and 2005, a new set of legislation regulating cooperatives, among them agricultural cooperatives was adopted and refined to cover most aspects. Financial aspects are addressed by the Fiscal Code of Romania.

Furthermore, a new set of ordinances established the conditions for the constitution of producer groups as well as the financial incentives that support their development. According to these, any form of organization (cooperative, agricultural society, company, etc.) can become a producer group with the condition of fulfilling the requirements stated by the law. These requirements (10) mainly refer to the internal governance of the producer group and the fiscal obligations that should be paid. Once a producer group is recognized as such by the Ministry of Agriculture, certain financial facilities can be accessed, such as the reduction of taxes or accessing European and national funds through The European Agricultural Fund for Rural Development (mainly). Practically, the support is given depending on the commercialized production: 5% in the first 2 years, 4% in the 3rd year, 3% in the 4th year, 2% in the 5th year up to the value of 1 million euros; 2.5% in the first 2 years, 2% in the 3rd year, 1.5% in the 4th and 5th years for a value of more than 1 million euros. The support is limited to between 100 000 and 50 000 euros (1st and 5th year). The European Agricultural Fund for Rural Development finances certain measures that address producer groups, such as the creation of producer groups or the modernization of agricultural exploitations. The measure 121 'Modernisation of agricultural holdings' foster indirectly the participation of farmers in producer groups However, based on Government data released on 24 June 2011, only 1.21% of the allocated funds for the constitution of producer groups were contracted, and only 0.20% of the allocated funds turned into payments.

As regards the technical assistance given for the constitution and functioning of producer groups, there are no direct measures taken in that direction. Measure 143 of the National Programme finances consultancy given to farmers (including producer groups). According to Government data issued on 24 June 2011, there were 12,415,223 Euros contracted, but no payments made.

In conclusion, at a first glance, the policy measures that were taken in Romania in order to encourage the development of agricultural cooperatives are clear. The legislative framework is flexible enough to permit the constitution of agricultural cooperatives and producer groups in many ways. Moreover, generous financial incentives are given to producer groups mainly from the European Agricultural Fund for Rural Development and from national resources as well. However, the number of producer groups is small and the financial resources have barely been touched. A closer look shows that the constitution of cooperatives/producer groups is not supported by consultancy at all (measure 143, although contracted, has not been giving any results yet, and consultancy in agriculture is still insufficient in Romania). Also, the financial support must be accessed by projects, and again, it is quite difficult for a cooperative to get such grant due to the lack of the necessary financial and technical knowhow. Even the recognition as a producer group is a bureaucratic and over-centralised process. Consultancy has been given, to a certain extent, by the regional personnel of the Ministry of Agriculture, but they could not fully compensate for the comprehensive expertise of professional consultancy services.

Some of the interviewed representatives of cooperatives complained about the fact that even though the legislation for agricultural cooperatives has existed since 2004, they could hardly find answers to their specific questions at the authorities. The legislation is quite general and gives room for many interpretations. Practically, there is no support organization that could give models of documents, facilitate know-how transfer, assure training and cooperation with other structures, etc.

6.2 Other legal issues

Producer groups, recognized as such by the Ministry of Agriculture, can take several forms: limited liability companies, associations, cooperatives, agricultural societies. The data from the Ministry reveal that the most frequent form that producer groups take is that of a limited liability company, although the law stimulates the constitution of cooperatives by tax exemptions/reductions. Although the number of cooperatives diminished between 2005 and

2009, a "new wave" can be noticed that emerged in 2009-2011. And this trend could remain. The existing, successful cooperatives could be used as models in other regions-especially in the dairy sector and sheep breeding.

Cooperatives are hybrids between non-profit organizations and companies: they borrowed from non-profit organizations the model of internal governance, while from fiscal point of view, with some exemptions, the same regulations apply as for companies.

The establishment of cooperatives is quite flexible. However, there is a minimum number of 5 founding members that must be met and a minimum value of 5 000 000 ROL of the share capital. The cost of establishing a cooperative is similar to that of establishing an enterprise in Romania. According to the World Bank's working paper Doing Business in Romania 2010, the cost of establishing a company is almost 200 Euros[49] (except for the notary or consultancy taxes, which would rise the sum to around 500 euros), while the yearly costs of maintaining it are very difficult to establish. According to some of the interviewed persons, it may vary, with a minimum of 10 000 euros.

As regards the membership structure, the law requires that each cooperative member is entitled to one vote irrespective of the number of shares he holds. It does not make any reference to the voting rights of non-members. The law does also not make reference to any requirements that should be met by new members at entrance. However, the General Assembly approves the acceptance of new members and can impose conditions, such as paying an entrance fee. Moreover, there are no restrictions as regards the acceptance of members from other member states. Most cooperatives are based on one member-one vote scheme.

The mandatory corporate bodies of the cooperative are: the General Assembly (all the cooperative members), the Managing Board (elected members for 4 years), the President of the cooperative, and 3 auditors and censors. The management of the cooperative can be entrusted to an executive director who is not member of the cooperative. All these rules are established in the Internal Regulation of the cooperative. The overall cooperative structure is flexible, as many aspects that are not regulated by law can be established by the Internal Regulation (e.g. the number of members in the managing board). The members' influence upon the decision-making process is exercised through the election of the Managing Board and of the President for 4 years. It is the General Assembly that decides in case of conflict, for instance, to initiate a legal process against a member of the Managing Board that harms the interests of the cooperative and produces losses. However, the conditions that the members must fulfil in order to be elected in the Managing Board are flexible, with the condition to avoid conflicts of interests. The General Assembly approves the budget and the economic and financial activities as well as the activity report at the end of each fiscal year. The composition of the supervisory board (auditors) is flexible, preferably made up by non-members, the only requirements are those that refer to avoiding any conflict of interests, and that at least one of the auditors should be an expert accountant. The law stipulates the rules on the appointment and dismissal of the Managing Board and Board of Supervisors: for instance, the Board of Supervisors can be dismissed based on the decision of the General Assembly.

Apart from the contribution of the members or credits, equity capital can be raised by issuing cooperative nominal bonds. If profit is gained, it will be distributed through dividends, in the proportion to ownership. The rules on the distribution of profit seem quite simple, similar to those applicable to companies, but maybe the rules should be differentiated among the members

49 Doing Business 2010 Romania, World Bank Working paper, p. 6 (http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/10/05/000333037_20091005014944/Rendered/PDF/505810WP0DB020100ROM0Box342002B01PUBLIC1.pdf)

of the cooperative according to the extent of using the services of the cooperative. However, it is debatable whether this would still fit the principles on which cooperatives are built.

As regards exit provisions from the cooperative, the law establishes that the constitutive act of the cooperative may provide a restriction of no more than 3 years until members may exit the cooperative. Such a restriction period is meant to protect the cooperative and guarantee the commitment of new members. It shall not prevent them from joining.

The cooperative societies cannot be reorganized or transformed into trading companies. But the law provides tools for reorganization, such as the merger or a total division of the cooperative by its dissolution, without liquidation, of the cooperative society which ceases to exist, as well as by the universal transfer of its assets towards the beneficiary cooperative society. However, the tax law applicable in the case of cooperatives is also the one that applies in the case of companies and is characterized by imposing excessive fiscal burdens.

7 Assessment of developments and role of policy measures

This chapter provides a concluding assessment on the developments of cooperatives in Romania. In chapter 1 the basic statistics on agriculture and farmers' cooperatives were provided. In chapter 2 data on individual cooperatives were reported, especially concerning their internal governance, their position in the food chain and the institutional environment in which they operate.

This led to some first impressions in section 2.5 on the performance of cooperatives in Romania in relation to their internal governance, institutional environment and position in the food chain. In chapter 3 the data gathering and analysis was broadened by looking at the differences between the sectors and the influence of sectoral issues on the performance of the cooperatives. Chapter 4 looked into much more detail on the how the regulatory framework influences the competitive position of the cooperatives in the food chain and vis-à-vis the investor-owned firms.

This final chapter assesses the (performance) developments of cooperatives and how they can be explained in terms of the building blocks (institutional environment, position in the food chain including sector specifics, and internal governance). Section 5.1 focuses on the explanation of the performance of cooperatives in terms of their internal governance, their position in the food chain (including sector specificities) and the institutional environment (including the regulatory framework). In section 5.2 an assessment is given on which policy measures in Romania seem to benefit cooperatives and which ones have a constraining influence.

7.1 Explaining the performance of cooperatives

Enterprising in agriculture in Romania is a continuous struggle for survival due to several factors, such as excessive land fragmentation, low machinery endowment, low efficiency, ceasing of protectionism, but also very high fiscal burden and complicated rules in accessing external money. Spending European funds has not had the expected impact so far, as the raising of European money proved a very slow and difficult process for the Romanian farmers.

Agricultural cooperatives have to face all these obstacles, plus the reluctant mentality against the idea of cooperation that roots back to communism. However, there are a few structures that managed to obtain performance against all odds. These are built on the remnants of communist cooperatives, with the preservation of the same membership and leadership structures. Although these structures are constituted as agricultural societies and not cooperatives, they preserve the principles on which cooperatives are built and fit the definition applied in this project.

Other successful cooperatives were constituted after the Law on Cooperatives was enacted in 2005, and some of them have managed quite well until today. However, the fact that these cooperatives had to go through the process of constitution from scrap has sometimes led to their failure. Also, it is common in such structures that they are built around a strong personality, a leader who manages to attract the interest and loyalty of the members.

7.2 Effects of policy measures on the competitive position of cooperatives

The Law on Agricultural Cooperatives and the measures taken to encourage the constitution of producer groups led to an increase in the number of such structures in the last 5 years. The incentives given to producer groups resulted in an increase of their number. Although sometimes it is suggested that some producer groups were created with the sole purpose of benefiting from European subsidies, no data exists on this subject, and no Government research or press articles could be found on the subject. However, it is too early to evaluate whether these incentives had a real effect on strengthening the competitive position of cooperatives. It is probably in another 5 years when the effects of policy measures could be evaluated. However, reducing fiscal burden and giving qualified consultancy for the constitution of viable cooperatives would make further steps towards encouraging the competitive position of cooperatives.

8 Future research

The weakness of my research comes from the scarce information that is available on the subject of agricultural cooperatives in Romania, and also from the reticence of most of their representatives to participate in such studies. Also, some associations of agricultural producers were contacted to participate in the research which unfortunately refused. Also, cooperatives and producer groups as defined in this research are quite difficult to identify, as they come in different forms. Unfortunately, the Amadeus and Copa Cogeca data base did not help at all. Furthermore, agricultural cooperatives, generally, do not have websites (yet), so information had to be gathered from other sources, where available. Given these facts, the strength of my research comes from the fact that nevertheless, I managed to gather useful information on cooperatives (although not complete).

As an idea for further research, it would be interesting to investigate the emergence of transnational cooperatives, especially in border regions. Also, it might be interesting to do research on the influence that “Western countries” cooperatives exercise on “Eastern countries” cooperatives, how the relationship of “mentoring” is built, who are the actors, what are the results.

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