

OPERATION AND EXPANSION OF ROMANIAN AGRICULTURE PRODUCERS GROUPS

Raluca Ignat¹, Radu Voicu², Iuliana Dobre³

Abstract

In order to develop a model for development of Romanian agriculture is needed study in force and effect legal framework and its application on Romanian agriculture producer groups, to establish legal forms of association and cooperation between producers and processors on pathway product. To achieve this research were used documentation, comparative analysis, synthesis, statistical analysis. Processed data were used in the national legal framework, the National Rural Development Plan 2007-2013, Ministry of Agriculture and Rural Development.

Key words: rural development, producers groups, associations, cooperatives, agriculture

INTRODUCTION

In previous years, challenges of the Romanian agriculture were:

- lack of annual plans for implementation of agricultural policy in the field that is constantly updated and communicated to the needs of interest groups;
- unbalanced access in time and space of pre-accession funds that causes structural social and economic differences; in addition, there is an excessive bureaucracy of accessing European funds;
- non profitable mentality of farmers caused and emphasised by:
 - - increased fragmentation parcelling of land (effect of reform);
 - large sector of subsistence and semi-subsistence farms;
 - weak manifestation of entrepreneurship in rural area;
 - high number and value difference between commercial and individual farms.
- precarious existence of an infrastructure of roads, rail, public service, water

1 Raluca Ignat, PhD University lecturer, Academy of Economic Studies of Bucharest, Str. Piata Romana nr.6, Bucuresti, Romania, raluca.ignat@ase.ro

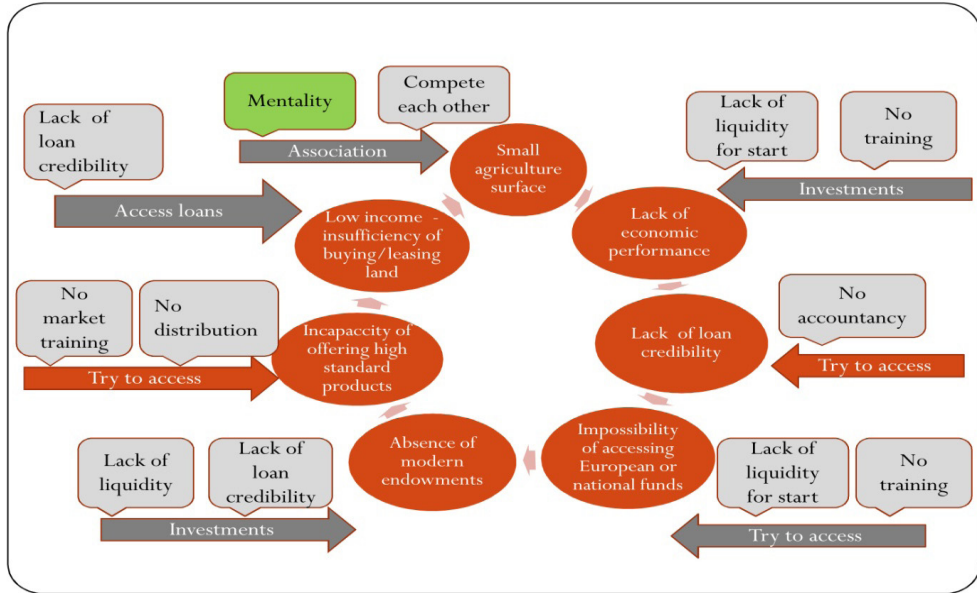
2 Radu Voicu, PhD University Professor, PhD University lecturer, Academy of Economic Studies of Bucharest, raduvoicuro@yahoo.com

3 Iuliana Dobre, PhD University conf., PhD University lecturer, Academy of Economic Studies of Bucharest, iulya_dobre@yahoo.com

and sanitation, communication.

Therefore, the Romanian agriculture is now within a vicious circle (Ignat, R., 2011) and seems not to have any way out:

Figure 1 – The vicious circle of the Romanian farmer



Source: Ignat, R. 2011

Agro-food producers groups - Conceptual Issues

Therefore, association in agriculture seems to be the most suitable way out from this vicious circle. According to law in force, groups of producers may be:

- firms, according to Low no. 31/1990;
- firms and other forms of agricultural associations, according to Low no. 36/1991;
- associations and foundation according to Government Ordinance no. 26/1991;
- associations and foundations, according to Government Ordinance no. 26/2000 regarding associations and foundations;
- agricultural co-operatives, according to low of agricultural co-operative no. 566/2004;
- any other form of formal association, according to low.

Producer groups are established and operate to free initiative of the producers, based on the unity of interest and action of the group and shall include at least five members. The Romanian Ministry of Agriculture and Rural Development acknowledged 51 groups of agricultural and food producers, as form of integrated production. Six counties have shown, the MARD website, producer groups recognized by the Ministry, as required

by law - Bacau, Caras-Severin, Cluj, Gorj, Hunedoara, Mehedinti (http://www.madr.ro/pages/dezvoltare_rurala/grupurile-producatorilor-recunoscuta-30.03.2011.pdf, accessed on 20th of June 2011)

A form of producers groups might be the Inter-Professional Organizations for Agro-food Products (OIPA), which are under the supervision of the Organizing Committee for Inter-Professional Organizations for Agro-food Products of the Ministry of Agriculture and Rural Development. The legal framework in force is represented by: GEO nr.103/2008 establishing inter-professional organizations for agricultural products (published in Official Gazette no. 641 din 09/08/2008), approved with amendments and additions; on 12th of March 2009, a document approved by Law 29 / 2009. The reason of interest for this theme is given by this comprehensive approach to product and product market

Legal framework for the organization and operation of Inter-Professional Organizations for Agro-food Products (OIPA)

The legal framework for the organization and operation of Inter-Professional Organizations for Agro-food Products (OIPA) is given by three important laws: Government Ordinance no. 55/30th of January 2000, Law no. 778/2001 that are further analysed.

Government Ordinance no. 55/30th of January 2000 on Inter-Professional Organizations for Agro-food Products (OIPA):

- the first in a series of acts that regulate the activity OIPA;
- the first establishment and operation of inter-professional organizations on agro-food products, emphasising the main objectives and activities and their rights and obligations.

The Government Ordinance no. 55/30 January 2000, defines the terms:

- the food products is a natural product of vegetable and animal origin, including bio and semi-manufactured products, processed and/or preserved, derived from natural;
- food product chain - the system of operational relationships linking producers, processors, transporters, storage, distributors, retailers and/or commodity exchanges that trade the same product for any use and/or its use;
- food product market - all relationships relating to the sale documents, including food supply and demand of a product, place of meeting between sellers and products' buyers.

Thus, Inter-Professional Organizations for Agro-food Products (OIPA) is:

- a private or public Romanian legal person of with professional aim, legal status of associations, non-profit;
- formed by professional organizations, non-profit association with legal personality, the chain of production, processing, transport, storage, distribution and marketing of agro-food products;
- each OIPA within an organization must be representative for its product chain, in terms of economic importance, the number of members.

Also, the Government Ordinance no. 55 defines OIPA's main activities:

- it proposes policy and public administration measures to improve the economic efficiency of the product chain;
- it views the draft regulations promoted by public authorities in agro-food;
- it formulates proposals for improving the activities of the product chain.

Law no. 778/2001 on Inter-Professional Organizations for Agro-food Products:

- proceeds the provisions of Government Ordinance no. 55;
- establishes the main objectives and activities and the rights and obligations of OIPA:
 - a) sustainable development of agricultural production by supporting private farmers to enhance the material and human resources in rural areas in order to increase the economic force of farmers and agricultural associations;
 - b) correlation of production and product's quality with market demand, increased production, marketing products and stimulation the production of biological products;
 - c) improving information on supply and demand;
 - d) development of the agricultural products business spirit and training specific to the market economy, by ensuring competitive selling prices;
 - e) promoting international agro-food products and external markets;
 - f) providing opportunities and equal rights for all members;
 - g) participation of farmers in developing strategies and programs of the sector;
 - h) protection of members' interests in their relations with other government bodies and public administration;
 - i) develop and promote programs and obtain financial support to members;
 - j) work with funding bodies in the country or abroad for borrowing and implementing programs to ensure sustainable and competitive development of farms;
 - k) collaboration with other state and civil bodies to common understanding of policy sale and purchase price with economic relations;
 - l) concern for promoting practices, production technologies, to ensure environmental protection;
 - m) providing consultancy, management and marketing, mainly in the association, in cooperation with the National Agency for Agricultural Consultancy under the Ministry of Agriculture, Food and Forestry.

Emergency Ordinance no. 103 of 03/09/2008 on the establishment of branch organizations for agricultural products keeps the definition of the objective of regulation and represents facilitation for incumbent obligations of Romania as a result of commitments towards European Union to take all measures necessary to facilitate agriculture's access to EU funds.

Its aims were:

- to facilitate implementation of the common agricultural policy and in particular the provisions relating to the establishment and recognition of interprofesional organizations that have an important role in the provision of consultancy and training services in order to increase capacity to absorb EU funds;
- to launch the measure 1.1.1. "Vocational training, information and diffusion of knowledge" and the measure 1.4.3. "Providing advisory and consultancy services for farmers" that were scheduled in order to create legal framework for recognition of

interprofessional organizations that may benefit of these measures;

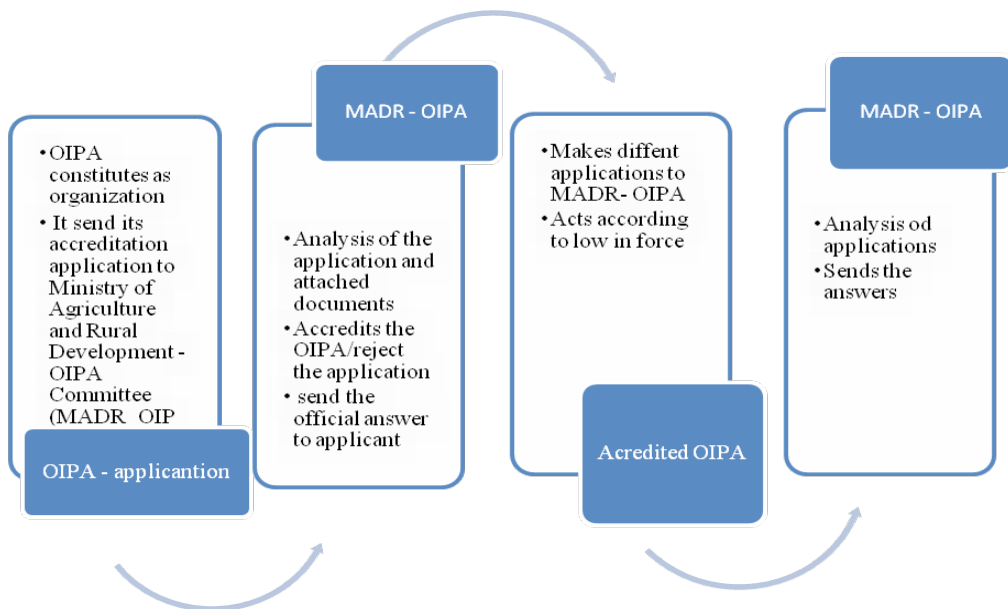
- to reduce the risk of losing EU funds through the National Rural Development Programme (RDP) - to redefine terms and to introduce some new ones.

Today, there are five OIPAs registered by the Ministry for Agriculture and Rural Development:

- Sugar Interprofessional Organization from Romania
- Wine National Interprofessional Organization
- National Interprofessional Organization of Medicine and Flavoured Plants Associations
- Cereals and Derived Products Interprofessional Organization from Romania
- Poultry, Eggs and Processed Products Interprofessional Organization

Following all these aspects and the legal framework, we propose the further organization and operation scheme of OIPA:

Figure 1- Organization and operation scheme OIPA



According to Romanian legal framework, OIPA should contribute to:

- 1) smooth functioning of markets by promoting market oriented products in terms of quantity and quality;
- 2) ensuring the necessary transparency in the proper functioning of the of agricultural markets;
- 3) implementation of standard contracts compatible with Community rules;
- 4) contribution to the implementation of the decentralized system according to national and EU agricultural policies;
- 5) strengthening food security, particularly by ensuring the traceability of products, acting in the interests of users and consumers;

- 6) improving the supply and demand information system, concentrating and coordinating supply and marketing of producer members;
- 7) achieving increasing value of products, primarily through marketing and market research, aiming to promote their domestic and foreign products;
- 8) participation in professional organizations to develop strategies and states of development of the sector;
- 9) participation in research projects and studies on new production methods, processing, distribution and market developments;
- 10) development of methods and tools for improving product quality during production and processing stages;
- 11) promotion of integrated production practices and environmental technologies that protect the environment;
- 12) exploiting and protecting organic farming and designations of origin, offset labels and geographical indications;
- 13) providing consultancy and training services for professional organizations, their states and interests in their relations with government bodies and state administration and the coordination of amicable settlement of disagreements between professional organizations;
- 14) participation in relationships and cooperation with donor organizations in the country or abroad for borrowing and implementing programs to ensure the development of sustainable and competitive production units.

Quantification of objectives through National Rural development Programme’s support on agricultural producer groups

National Rural Development Programme provides funding for producer groups through *Measure 142 - Setting up producers groups* that has as objective to increase the competitiveness of primary agriculture and forestry through the balanced development of relations between producers and processing and marketing sectors and adaptation of production in terms of quality and quantity to consumer demands.

Measure 142 - Setting up producers groups

Indicator	Aim for 2007-2013	30/09/2010
Total number of supported producer groups	1.108	8
of which for organic products	111	ND
Divided by:	ND	ND
Type of agricultural sector, in accordance with Decision (EC) no. 369/2003		
1. Vegetable sector	222	ND

Indicator	Aim for 2007-2013	30/09/2010
2. Livestock sector	664	ND
3. Mixt	222	0
Turnover of supported groups (mil. euro)	4.988	28
Number of semi-subsistence farms members of producer groups that get on the market	24.375	ND
Economic growth (mil. euro)	2.483	466,41
Labour productivity growth	Annual growth of 8%	ND

ND – no data

Source: Final Report for the Intermediate Evaluation of the National Rural Development Programme for the period 2008 -2010, Annex 9, pp 8, <http://www.madr.ro/pages/page.php?self=03&sub=0302&tz=030211>, accessed on 21st of June 2011

The proposed actions of this measure are:

- to adjusted to demands and market requirements;
- to provide joint marketing of products, including preparation for sale, centralization of sales and wholesale distribution of products;
- to add value obtained in joint production and to better economic manage of resources and results;
- to encourage producers groups, by supporting them for setting up and functioning and to increase revenue by improving technical and management capacity of their members.

Measure 121 - Modernization of agricultural holdings

Indicator	Aim for 2007-2013	30/09/2010
Number of supported holdings belonging to the members of associative forms	6.670	1.307
Number of supported associative forms	670	80

Source: Final Report for the Intermediate Evaluation of the National Rural Development Programme for the period 2008 -2010, Annex 9, pp 4, <http://www.madr.ro/pages/page.php?self=03&sub=0302&tz=030211>, accessed on 21st of June 2011

Funding of the producers groups is obtained through other measures, too, even these are not directly aims to this goal, but other complementary.

Measure 123 - Adding value to agricultural and forestry products

Indicator	Aim for 2007-2013	30/09/2010
Associative forms belonging	470	115

Source: Final Report for the Intermediate Evaluation of the National Rural Development Programme for the period 2008 -2010, Annex 9, pp 6, <http://www.madr.ro/pages/page.php?self=03&sub=0302&tz=030211>, accessed on 21st of June 2011

Conclusions

The Romanian legal framework for the organization and operation of agricultural producers groups is articulated with European requirements.

Agricultural producers groups may be one of the main measure to increase the agro-food sector competitiveness in Romania and, consequently, the legal framework should be well-timed provided.

Producers groups are funded directly for their formation through the National Rural Development Programmes - Measure 142, but also, implicitly, through other measures and their operation and expansion have a significant weight in public policy. Agricultural producers groups, as defined and discussed in this paper, may become one of the pillars of the Romanian rural and agricultural development.

Aknowledgements:

This work was co-financed by European Social Fund Operational Programme Human Resources Development 2007-2013, project no. POSDRU89/1.5/S/59184 “Performance and excellence in postdoctoral research in economic science in Romania”.

References

- Barr, William, editor (2000):** Farming together for profit, Morrow&Co, Bungay, Suffolk;
- Ignat, Raluca (2011):** Soluție inovativă pentru o agricultură românească competitivă. O abordare conceptuală (Innovative solution for a more competitive agriculture for Romania. A conceptual aproach), Theoretical and Applied Economics, Supplements ECTAP, Romania in the European Union - The Quality of Integration. *Structural and Regional Disparities*, http://store.ectap.ro/suplimente/Romania_in_Uniunea_EuropeanaCalitatea_integrarii_ro.pdf, pp 158;
- Manole, Victor, Stoian, Mirela, Ion, Raluca Andreea (2003),** Agromarketing, Editura ASE, Bucharest;

4. **Sargent, Malcolm (1982):** Agricultural co-operation, Gover, Publishing Company Ltd.;
5. **Agriculture in the EU, Statistical and Economic Information Report 2010,** March 2011;
6. *Final Report of Intermediate Evaluation of National programme for Rural Development 2008-2010, Anex 9, <http://www.madr.ro/pages/page.php?self=03&sub=0302&tz=030211>, accessed on 21st of June, 2011*
7. <http://www.coopseurope.coop/spip.php?rubrique18>, accessed on 26th of July, 2011;
8. <http://www.defra.gov.uk/food-farm/>, accessed on June, 2011;
9. http://www.madr.ro/pages/dezvoltare_rurala/grupurile-producatorilor-recunoscute-30.03.2011.pdf, accessed on 20th June 2011.