

The Agricultural Cooperative in Romania and Worldwide

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Abstract: *Presently, it is commonly accepted that agriculture represents a significant sector in the Romanian economy due to its size and potential, but its development is still sluggish compared with its true potential. Considering this undisputable reality, our research aims to highlight that public investments in rural infrastructure, public services, training and education may provide to the small farmers the help they need in order to become competitive in an increasingly globalized market. For small farms, the establishment of associative forms may provide the necessary inputs and outputs (in terms of technology and financial solutions) for achieving sustainable growth. Our article also aims to assess the potential of microfinance solutions for small entrepreneurs (SMEs and microenterprises) in the rural areas. The microfinance may provide an integrated package of support services (financial counseling, consulting and design services). Currently, Romania has over 2.5 million subsistence farms (rural households) and 5.5 million persons who are financial excluded. Our research aims to underline that a solution for the development of the subsistence farms could be provided through the cooperative associations in terms of flows of agricultural raw materials and technological support for the processing and capitalization of the products.*

Ke words: *agricultural cooperative, social, economic, microfinance, family farms.*

1. Introduction

Recently, Law no.164/2016 was amending and supplementing the agricultural cooperatives Law no 566/2004. This law establishes the legal framework of the organization and functioning of cooperatives in agriculture. The agricultural cooperative is an autonomous association of individuals and/or legal persons, as appropriate, private legal entity, established on the basis of the expressed consent of the parties and which is organized and operates under the provisions of the law. Thus, the agricultural cooperative is an autonomous association with an unlimited number of members with variable capital, which deals with economic, technical and social issues in the private interests of its members. In the EU, agricultural cooperatives vary in terms of form and type from country to country. They are essentially based on the same organizational and operating principles that are set out in European Council Directive. 67/532/25 of 25 July 1967. According to this Directive, agricultural cooperative includes legal entities in different areas such as: agricultural service cooperatives - which provides services for small producers; purchases and sales agricultural cooperatives - organizes both purchases of materials and the technical resources required for agricultural production and the sales of agricultural products; agricultural product processing cooperatives - provides typical products; manufacturing and small agricultural cooperatives in the farming industry; agricultural cooperatives operating and managing the agricultural land, forestry, fisheries and livestock; agricultural cooperatives for financing, mutual assistance and insurance. An agricultural cooperative with commercial activities provides goods and services in agriculture in this order: a) providing the conditions for all cooperative members to obtain economic advantages; b) ensuring the supply of agricultural production means for the cooperative members; c) the purchase of agricultural goods—vegetables, animal and fish products,—according to market standards; d) creating conditions for agricultural products processing plant, animal and fish products to be obtained food quality and consumer market standards; e) recovery of production obtained; f) socio-economic development of the rural areas. The agricultural cooperatives are based on the following principles:

- a. The principle of voluntary and open association;
- b. The principle of democratic control by the cooperative members;
- c. The principle of economic participation of cooperative members;
- d. The principle of autonomy and independence of agricultural cooperatives;

- e. The principle of education, training and information of cooperative members;
- f. The principle of cooperation between agricultural cooperatives;
- g. The principle of concern for the sustainable development of the community.

2. The cooperative movement in Romania - brief history

The cooperative movement has a long tradition in Romania, our country being, together with cooperative organizations in England, Belgium, Italy and France, a founding member of the "International Cooperative Alliance (ICA)". An innovator in this respect in Romania was Spiru Haret (1851-1912) who in 1899 initiated a draft on the establishment of popular banks, the involvement of teachers in the cooperative activity, the organization of consumer cooperatives and others. After the World War I, an outstanding representative of the cooperative idea was Gromoslav Mladenatz (1887-1958), who graduated from university in Germany, and obtained a doctorate in economics with the thesis "The concept of cooperative". Professor at the Academy of High Commercial and Industrial Studies between 1929 - 1951, he is the author of "Cooperative Treaty" (1933) and of the book "History of cooperative thinking" (1935). In his book "History of cooperatives doctrines" (1931), the cooperative represents "a free association of a number of smaller producers or consumers, who establish a joint venture through which an exchange of services between partners". The first forms of association in rural Romania emerged with the introduction of the modern cooperative principles set out by Ion Ionescu de la Brad (1818-1891), an economist, statistician, agronomist and a prominent representative of the Romanian agricultural sciences. He expressed his viewpoint on the different types of associations in the popular publication "Romanian Peasant (Țăranul român)." Thus, the first association of this kind in Romania, a credit and mutual aid association was set up first in Bistrita, Transylvania, in 1851, then in Braila in 1855, Rasinari village in the county of Sibiu in 1867 and then in Bucharest in 1870. The cooperative was, in the spirit of time, a collective economic unit, which included various occupations with low economic potential: small farmers, craftsmen, employees. Its aim was to form of needs-based cooperative association of members and obtain benefits from the activity that they are performing. Thus, the cooperative system did not abolish property and freedom, but enhanced the economic potential of farms.. Agricultural cooperatives as a form of associative work undertaken jointly, were in Mladenatz's opinion the only form of social organization that the rural economy had available by combining individual ownership of land with modern agricultural collective ownership of the stock. As the price of Romanian agricultural products fell on the international market during the economic crisis of 1929 - 1933, he recommended the involvement of cooperatives in the cereals trade, in order to eliminate intermediaries and adopt an efficient production structure. The establishment of farmers in associative units opened new opportunities for economic development by attracting local advantages and using local or regional power in order to increase the prosperity of the collective members, of their families and of the community.

3. The beginning of cooperative movement in Europe

The consumer cooperative from the small English town of Rochdale (founded in 1844) is considered to be the first modern cooperative, based solely on its own members without outside help. It began as a consumer cooperative and evolved into a multi-purpose cooperative with social and economic activity. The leaders of the cooperative of modern England were Robert Owen and William King (who supported the voluntary nature of cooperatives, but also political neutrality and religious identity). In France the movement was led by Charles Fourier, Philip Bsan (founder of the first production cooperatives) and Louis Blanc (who proposed the replacement of free competition with co-production) and in Germany by Victor Aimé Huber (precursor of consumer cooperatives) and Ferdinand Lassalle (who supported freedom and independence from state cooperatives). In Germany it was for the first time that a cooperative offered loans to farmers with Friedrich-Wilhelm Raiffeisen as a promotor (1864). (Filip ALEXANDRESCU, Flavius MIHALACHE, 2011.)

4. Agricultural cooperatives in the European Union

According to the Directive 67/532/25, cooperatives are entities that are named differently in each state, as per the local law but are based on cooperative principles. At primary level the farmers are associated in simple forms of associations which in the EU were called cooperative on different degree, they are formed based on join undertaking of the following objectives:

- agricultural works;
- - the joint work of land;
- - shared use of production capacities;
- - making investments in various fields.

At a secondary level there are organized associations of primary agricultural cooperatives which are called “of second degree” and aimed to invest in upstream and downstream agriculture for the collection or processing of agricultural products. At a tertiary level, the cooperatives are organized by the III-rd grade. These includes networks of cooperative factories that provide processing and marketing services or banks, bringing together expertise and resources in a particular area or region. Agricultural holdings, especially the smaller ones, develops cooperation and integration relations with large agrifood companies, which purchase raw agricultural materials by the contract. The Western European agrifood market promotes cooperation in all forms of social organization of farmers: small farms, medium and large agricultural cooperatives and cooperative societies, national or transnational food companies. The principles that underlie the relations of cooperation in EU agriculture are: freedom of choice as regards the form of cooperation; obligation on members to bring equity and undertake the economic activity of the cooperative and participate in the delivery of products, compliant technologies for the production of agricultural raw materials delivered to the cooperative; the „one man - a vote“ principle in the adoption of the decisions taken by the cooperative regardless of capital; the principle of cash dividends according to the status; principle of territoriality, or "limiting the scope of action of a given community cooperative". In the European Union, the agricultural cooperatives are represented by national organizations and are directed and supported by Community bodies: the General Committee of Agricultural Co-operatives (COGECA); the Committee of Agricultural Producers (COPA) and the International Cooperative Alliance (ICA).

Case studies presentation

FRANCE - there are 21,000 cooperatives, which include about 75% of French farms. This shows that 3.5% of the economically active population is part of agricultural associations. In addition to manufacturing, French cooperatives offers advice to their members. Due to their long experience they provide valuable advice in the terms of agronomy, economics and strategic planning. It should be that they also actively contribute to the development of environmentally friendly agriculture. Cooperatives invests in innovation, expanding the scope of their activity and finding new sources of revenue. An example is investment in biofuels. Also, farmers' associations are use different management tools to control developments in agricultural prices.

SPAIN - About 15% of the population is part of cooperative organizations, most of which were established under the regional legislation, not national legislation. Unlike in other European countries, the number of Spanish cooperatives is above average. At the same time they are quite small, only 39% of them having over a thousand members, which prevents them from obtaining higher profits. They ar as different as they are numerous: from modest local cooperatives to cooperatives that deliver to industrial level. There are also large cooperatives that process the products they sell to retail distributors. However, about 75% of the turnover reported by the Spanish cooperatives is in the hands of a quarter of the cooperative and this because of mergers and takeovers.

ISRAEL - About 70% of the agricultural land in Israel is used by cooperative members. The association is voluntary and the exit of the cooperative is not prohibited. People in the forefront of associations are are democratically elected, usually from among the members. Sometimes leading management bodies come from outside but must necessarily have experience in the management of cooperatives or in the management of cooperative members. Being tightly linked, the Israeli agricultural cooperatives are organized on two levels: locally and regionally. The local first level cooperatives are divided into three types: associations at the village level, kibbutzim and moshav, the last two being the most numerous. The difference between these three forms of organization resides in how they control production and consumption.

United State of America - There are less cooperative than in other countries, only 3.000. By contrast most American farms are part of them. We can distinguish cooperatives that deal with sales, closing transactions, supply and credit. The sales cooperatives deal with the proces and marketing of agricultural products. Basically, everything taht grows and produce in the USA is managed by cooperatives. Also, they provide jobs for most residents of rural areas. In the support of farmers who do not know how to negotiate there are cooperatives specializing in concluding transactions, helping them obtain reasonable prices for the commodities they produce. Farm supply cooperatives engaged in the manufacture, sale and distribution of

products that are essential for the proper administration of the household, such as fuel. The cooperative businesses are managed by a board of directors elected by the members. Each member is entitled to a single vote and all votes are equal, unlike limited companies or other forms of business.

5. Conclusions and considerations regarding the importance of microfinance

In most of the cases, potential investors and farmers are connected to the market economy system only through small European and/or national grants. This trend is highlighted by the "main priorities and measures for the development of the regions selected from the politic strategies of the Regional Development Fund, integrated into the structure of the priority objectives and measures appropriately contained in the National Development Plan" (Dobrescu, 2014) and by the microfinance measures in the current financial framework at European level (the topic of the research conducted within the proposed ITS framework aims to develop a model to support microfinance in the rural areas). The Seoul Summit conclusions have also underlined the importance of corporate social responsibility for balanced growth while showing the importance of micro financing models that are targeting the reduction of the poverty in rural areas and the stimulation of social and financial inclusion. Also, discussed in this summit were topics related to the reform of international financial institutions, the strengthening of the global financial safety and mechanisms, in a separate session of the new G20 agenda on development. Taking all these into consideration, it is our opinion that the cooperative associative forms for small farms might be a new chance for their development as regards the inputs - seeds, technology, microfinance, consulting- and concerning technical agronomical solution and product marketing support.

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