

Facilitating the development of agricultural cooperatives: Experience from Romania

March 16, 2023



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GROWING TOGETHER

Agricultural Cooperative

An Agricultural Cooperative is an economic organization formed by the free consent of a group of people for the production, purchase, joint sale of products, for the granting of loans or for the provision of services in the private interest of its members. The main purpose of cooperatives is to remunerate contributions or provide a service at the best cost.



Cooperative principles:

- ✓ **Voluntary and open association**
- ✓ **Democratic control of cooperating members**
- ✓ **Autonomy and independence of the cooperative**
- ✓ **Cooperation between cooperatives**
- ✓ **Concern for the community**

The importance of cooperatives

- One of the factors of definite progress in the sustainable development of agriculture and the rural environment is represented by the establishment and development of efficient and fair agricultural cooperatives, which are absolutely essential actors in the creation of value-added chains in Romanian agriculture.
- There is a need to promote agricultural cooperatives as a model of success in structuring better governance of Romanian agriculture in order to ensure security, sovereignty and food security for the population and increase the competitiveness of Romanian farmers on the European single market.
- There is historical evidence that, especially in times of crisis, cooperatives are an alternative for economic and social balance and we are convinced that they will continue to strengthen this conviction, especially now, when Romanian farmers are going through a particularly difficult crisis period, triggered by bottlenecks resulting from severe soil drought and atmospheric heat, the war in Ukraine which has led to excessive inflation, fuel prices, fertilizers and plant protection products.

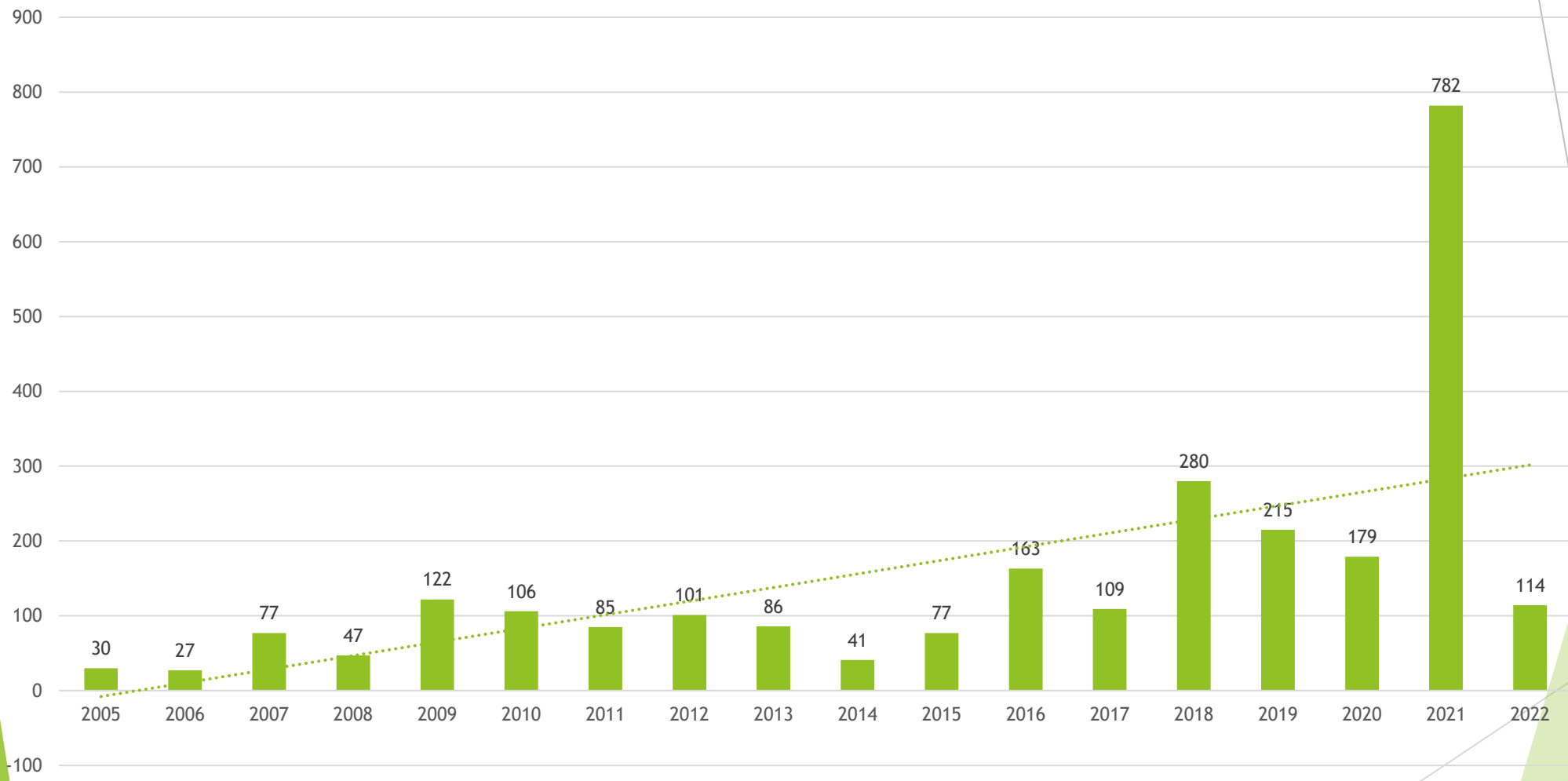


An overview of cooperatives in Romania



- In 1989 in Romania, all agricultural cooperatives were abolished or transformed into agricultural companies. Until January 1, 2005 we had no agricultural cooperatives.
- Since then, modern cooperatives have been established, operating according to the principles of the International Alliance of Agricultural Cooperatives and are currently undergoing reform, development and streamlining.
- Over the last 5 years there has been a steady annual growth trend in the number of agricultural cooperatives filing their financial statements, thus showing an interest in doing business in good conditions, with an average annual increase of 17.43% between 2015 and 2021.
- From the point of view of financial indicators for the whole agricultural cooperative sector, the picture of indicators shows a better situation, but there is the same need to increase capitalisation through investment.

The structure of agricultural cooperatives in Romania by year of registration



U.N.C.S.V.

What are we doing?

We follow the legislative process and we are involved in the elaboration of draft normative acts regarding the fields covered by UNCSV by submitting reports and legislative projects, collaborating with other involved organizations, conducting advocacy campaigns to improve the practical applicability of legislation and the possibility of development and efficiency of cooperatives in the crop sector.



We negotiate, based on the mandate given, the interests of agricultural cooperatives before public institutions and courts, domestic and / or international.



We are constantly concerned with the consolidation and development of its structures, the improvement of relations and cooperation with its members, the ensuring of a favorable climate for the development of relations between members and mediates the resolution of any misunderstandings between them.



U.N.C.S.V.



As it results from the constitutive structure itself, the members have a good representation at regional level, by association, but also at national level, operating in 23 counties in the cereals, oilseeds, protein crops, vegetables, storage, primary processing and valorisation sectors.

MISSION. VISION. VALUES

The purpose of U.N.C.S.V.

It is to ensure the representation and defense of the interests of member agricultural cooperatives in relations with the public administration, state authorities, natural or legal persons, public or private, national and international bodies and equivalent international associations, to support and promote cooperative principles, ensure, through cooperation, the necessary services meant to contribute to the development and modernization of the means and methods of increasing the economic efficiency and of specialization and concentration of the activity of the agricultural cooperatives operating in Romania.



We Create Quality Professional Cooperatives

Brings together most of the plant cooperatives under this umbrella and responds to the challenges faced by its members by promoting and supporting a viable, competitive, market-oriented rural economy and the provision of high-quality, fair and affordable agro-food products for consumers and fair prices for farmers.



Public institutions

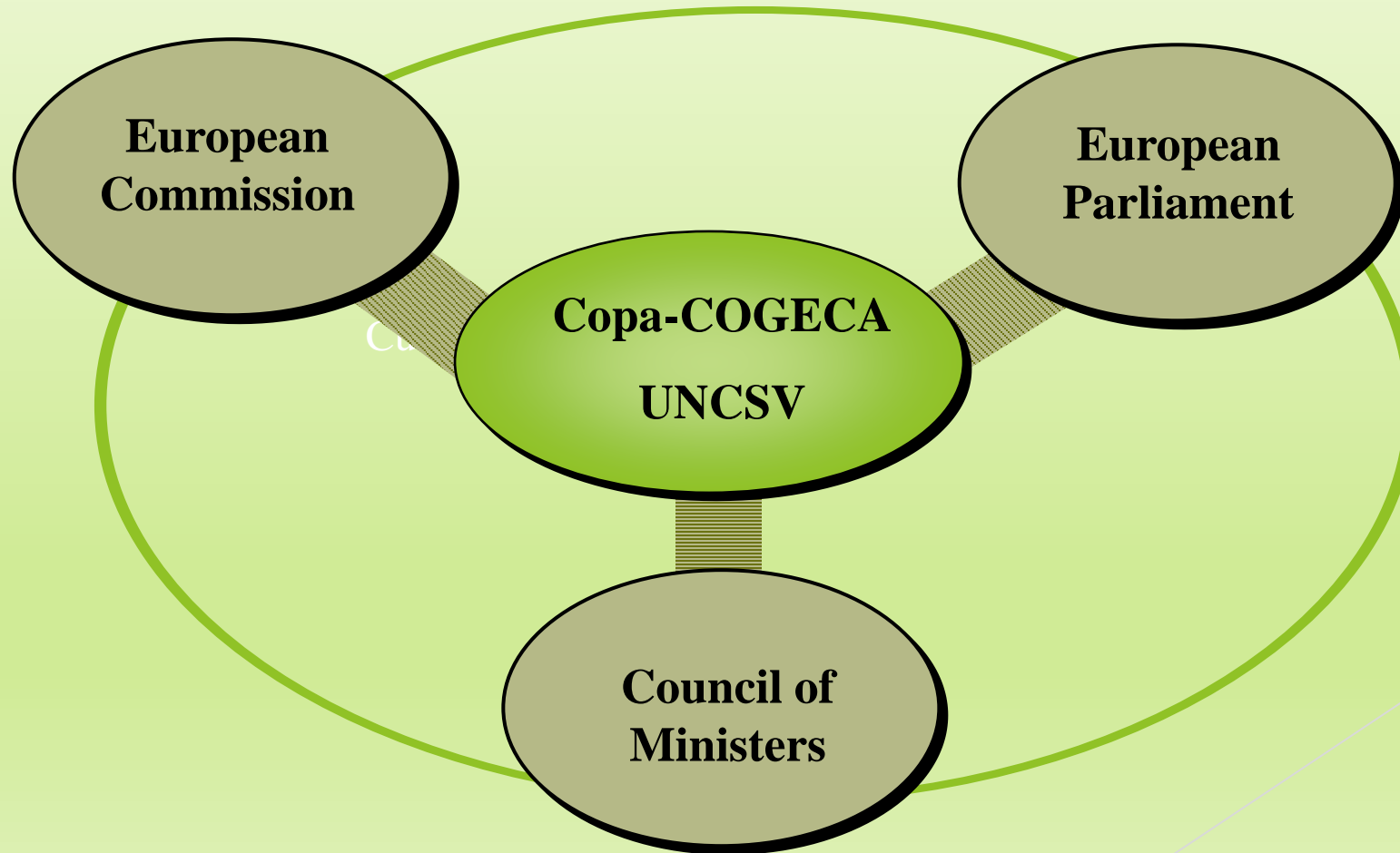


Private institutions

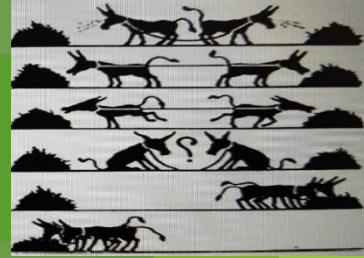
Supporting and defending the interests of cooperative members at national and international level.

UNCSV in Brussels

As of 29 September 2020, U.N.C.S.V. has become a member of the European organisation COPA – COGECA through the Alliance for Agriculture and Cooperation whose member is .

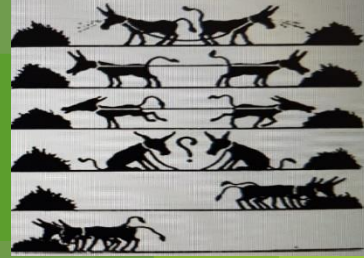


Current challenges of agricultural cooperatives in Romania



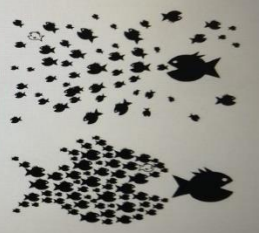
1. Severe pedological drought and atmospheric drought leading to severe limitations of resources and production potential in the Romanian agri-food sector.
2. The war in Ukraine which led to excessive increases in prices for:
 - Fuels;
 - Energy;
 - Fertilizers;
 - Plant protection products.
3. Labour shortage.
4. Lack of young people in agriculture - high degree of ageing among cooperative members.
5. Contribution to Gross Domestic Product - most recent data shows a reduction in the share of agriculture in GDP to 3.5%.

Current challenges of agricultural cooperatives in Romania



6. Romania's trade balance - latest data shows that Romania's trade deficit increased by €1.8 billion in the first three months of the year compared to the first quarter of 2021.
7. Lack of education and continuous improvement in terms of training and development of presidents, board members, employees in agricultural cooperatives.
8. Lack of National Fund for Integrated Catastrophic Risk Management in Agriculture.
9. Difficult financing of agricultural projects and programmes by banks.
10. Enforcement of new soil and environmental protection rules - imposed reductions of plant protection products by the SUR Regulation and of fertilizers; the average dose of pesticides used per hectare in Romania is only 0.6 kg compared to the European average of 2.3 kg.
11. Lack of investment.

Current challenges of agricultural cooperatives in Romania



13. Lack of investment in the irrigation system - only 6% of the area under cereals can be irrigated, although the water requirements are very high.
14. Lack of digitalisation.
15. Reluctance of farmers to join associations:
 - The largest agricultural cooperative in Romania is 100 times smaller than the smallest cooperative in Germany, with a turnover between 5000 and 8000 million EURO;
 - The average number of members in Romanian cooperatives is 100 to 1000 times smaller than the average number of agricultural cooperatives in the EU-27, being between 5000 and 9000 members;
 - All agricultural cooperatives currently active in Romania have a turnover lower than that of a single average agricultural cooperative in the EU.

Current challenges of agricultural cooperatives in Romania



In order to have strong agricultural cooperatives in Romania we stress the importance:

- Identifying the main obstacles to cooperative growth and integration along the chain;
- setting up a network of "test cooperatives" and funding accompanying research and development activities;
- building a statistical data management system for long-term analysis of cooperatives over time;
- to carry out a review of the registration procedure and its monitoring procedures. In many of the EU-27 member countries, unions/federations of cooperative branches accompany this process with legal advice before amendments are made to the articles of association, or business plan checks;
- consolidation of cooperative reporting activities and the central collection of this data, which can be seen as a first step towards a cooperative audit organisation, as is the case in most EU-27 countries;

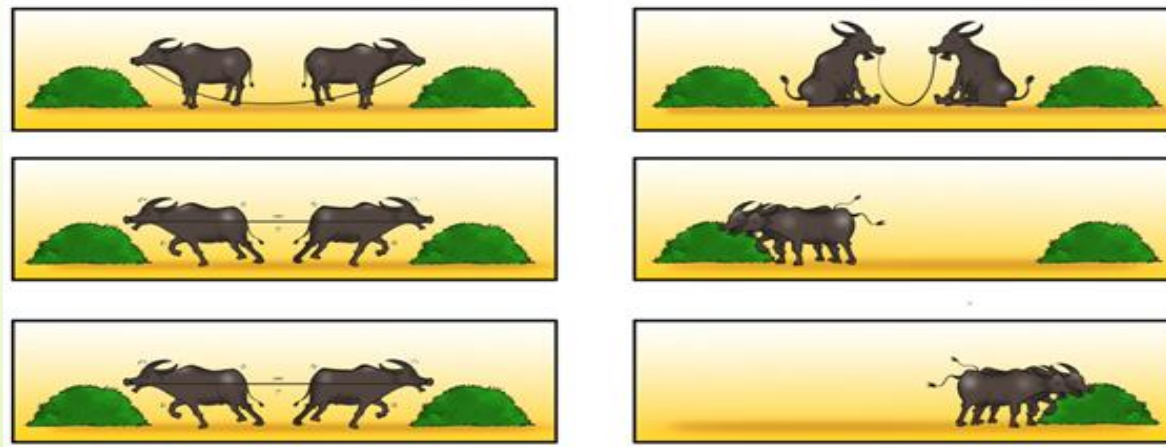
UNCSV OBJECTIVES 2030-2050-2070



- Diversification of farmers' incomes through cooperative consolidation grade III to create, maintain and develop a market share above 50% of the main agri-food products in Romania;
- Internationalization of the grade III cooperative and gaining a 5% market share at European level for the main agri-food products;
- Establishment and development of production and distribution capacities for the main agricultural inputs to ensure at least 50% of Romania's needs;
- Investing in the agricultural and food enterprises of the future to create a critical size champion.
- Contributing to economic growth and expanding the influence of Romanian agriculture and agri-food sector in the world.
- Achieving the lowest possible level of pesticide residues for healthy, quality food.
- Accelerating our development, thanks to the cooperatives' performance levers: digital transformation, innovation, internationalisation, social and environmental responsibility, human capital.
- Contributing to carbon neutrality to reduce our ecological footprint, conserve and regenerate soil to promote sustainable and responsible agriculture.
- Investing in digital and innovative solutions that improve the competitiveness, safety and quality of crop production while protecting the planet.

AGRICULTURAL COOPERATIVES REAL STATUS VS. OBJECTIVES 2027

Agricultural Cooperatives:	2019	2020	2027
Which have filed for bankruptcy out of the total registered	48,90%	45,02%	95%
Who registered turnover greater than 0 of total registered	22,30%	24,07%	97%
Not registering turnover, profit, loss from total submitted balance sheet	18,60%	17,96	98%
Who recorded profit out of the total who filed balance sheet	40%	48,03%	90%
Average number of members	5,5	6,85%	15
Market share of main food products	2%	2,1%	7%
Oriented towards processing activities	8%	8,2%	15%
Service oriented	5%	5,3%	10%
Income from members' primary production processing activities	6%	6,4%	35%
Owning assets - asset value over 200.000 Euro	10,30%	13,25%	50%
Degree of capitalisation - average value by agricultural cooperative sector	-0,33%	2,07%	15%
Current liquidity - average value per agricultural cooperative sector	1,47%	1,78%	2%
Median value of fixed assets at sector level	1,54%	0,93%	2%
Net profit rate, average value per sector agricultural cooperatives	1,80%	2,56%	5%



"We need to improve the agricultural cooperative system through legislation, in order to give them a real chance to develop and strengthen in the interest of all members in the medium and long term. At the same time, there is a need to stimulate agricultural cooperatives in Romania through the NSP 2023-2027, to develop and consolidate in order to be sustainable, sustainable in the long term and competitive in the market with similar players in the world and multinationals in the sector, in order to be able to visibly put their shoulder to the wheel to develop strong brands that can resist on the market, to create, maintain and increase the market share for the main food products".

Only together we can succeed, the motto of UNCSV being: TOGETHER FOR THE FUTURE!



ÎMPREUNĂ PENTRU VIITOR!



THANK YOU FOR YOUR ATTENTION!