

Member Homogeneity – Essential for the Well Functioning of the Agricultural Associative Structure

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Although it's been 10 years since the inception of the agricultural cooperatives law, in Romania the sector of associative structures in agriculture (associations or agricultural cooperatives) is still underdeveloped, therefore the number of the associations and their impact on the agricultural economy is reduced.

The most important resource of associative structures and cooperatives in agriculture is human resource, mainly represented by its members. Thus, for the proper functioning of the association or cooperative, professional human resource management is essential.

For a successful associative structure, professional human resource management must start from the design phase of such associations or cooperatives. In this respect, the membership shall be conditioned upon the fulfillment of conditions related to the area of interest, field of activity or volume activity. Hypothetically, member's profile of associative structures shall be determined upon studies based on objectives of the upcoming entity, as well as based on the economic and social aspects of the specific area. As an example, a case study is presented upon agricultural associative structures of Calarasi County (Extension and Rural Development Consortium Vâlcelele and Ileana Consortium), which analyzes the need for establishing, purpose and members profile.

Members of the two consortium are freely associated, being unrestricted neither by economic potential of each one, nor by the location (city or county) where they operate. So, Ileana consortium has members with sizes of holdings or farms ranging between 35 and 5,000 ha in Calarasi, Ialomita and Prahova County, and the consortium of extension and Rural Development Valcelele has members with agricultural holdings between 1 and 2,515 ha in Calarasi, Ialomita, Constanta, Tulcea, Giurgiu, Buzau, Teleorman and Prahova counties.

In view of the above, it is clear that the homogeneity of members of the two structures lies in their very object of activity, and not in the homogeneity in terms of acreage or in terms of their area of activity.

The fact that associate members have the same type of activity determine in the two consortium (constituted as a group of producers in accordance to legal regulations) unanimous decisions making, regarding both the necessary inputs, and agricultural production capitalization obtained. In fact, this is the main objective of the analyzed associations, the other (such as ensuring the transfer of knowledge) being adjacent to this.

Homogeneity ensured by pursuing the same objectives in terms of efficiency provided by the use of inputs purchased at the lowest price, and also by capitalizing on favorable terms of agricultural production determines the performance of the associative character, which in 2013 obtained following results:

- ⇒ The cost of inputs for members being part of an association or cooperative structure is up to 40% to 50% lower compared to individual farmers. This is due to purchasing large quantities of seeds, pesticides, fertilizers. Thus, in 2013, there was a decrease in acquisition costs of wheat seeds by about 40% over list price, compared to individual producers who obtain discounts of up to 20%. The sunflower seed acquisition cost was 35%-40% lower than list price, fertilizers, on average 15% over the price paid by individual farmers.
- ⇒ The cost of fuel purchased by members of consortium, particularly diesel, was about 0.10 RON per liter lower than the price at the pump. Individual farmers have also benefited from the price reduction to the quantities purchased, but not more than 0.04 RON per liter.
- ⇒ Cooperative members and members that are part of associative structures have benefited and continue to benefit from facilities for the purchase of agricultural machinery, especially where it acquires a greater number of tractors, agricultural equipment for soil management.
- ⇒ In terms of funding, cooperative members and members that are part of associative structures have received lower interest banking products (on average 1%). In 2012 and 2013 such banking products are offered by Raiffeisen Bank, BRD GSG and Transilvania Bank.
- ⇒ Exploitation of agricultural production is more favorable to the consortium compared to individual producers, thus providing members a better price and a higher profit. For example the selling price of wheat in Extension and Development Consortium Vâlcelele was 8% higher than if would be sold individually, and corn price by 6%.

Summing up all of the above, it clearly results the economical advantages that the cooperative and associative members have. As a conclusion, we can highlight the voluntary nature of the members belonging to the associative and cooperatives organization, an aspect that is entirely motivated by economic beliefs.

Within the administrative ruling of the cooperative and associative organization, all members are equal, each one of them having one vote only. This fact is also stated by the law in OG 26/2000, as well as in art. 62 of the 36/1991 Law ("each member has the right to vote only once, no matter the value of his social role"), but also art. 17 from 566/2004 Law ("no matter what is the scale of contribution to the social capital, each member can only vote once"). In the case of the two consortium, the decision regarding ruling and administrating with the competence of a general meeting are taken only by having the majority of votes, each member having the right to vote only once no matter the surface of the infield he works on, nor the contribution to the social capital. As an example, at the Extension and Rural Development Consortium Valcelele there are members that have 2 hectare of infield (PF Ivan Dumitru), with 3 hectare (PF Marin Laurentiu), with 400 hectare (SC Agrozootehnica

Ulmeni SRL) or 2.500 hectare (SC ILDU SRL). This is an eloquent argument that can prove the „democratic governance” of the associative and cooperative organizations.

Starting from the premise that in the administrative leadership level all members are equal, each member counting as one vote, social and economic structure of the members of a cooperative or agricultural associations is extremely important, because for the coherence of the decision is necessary that all members have the same purpose and similar interests, so the economic decisions are equally for all members. Given that some measures involve spending association's money, but not all members benefit from it, there is a risk of tension between members. Or, the real power of such an organization is precisely the confidence and intensity of relationship between members, and between members and the organization. Therefore, is crucial to ensure member homogeneity from the beginning, by creating the articles of incorporation and association, this way establishing the proper functioning of the structure, both in terms of economic decisions and administrative consistency and in terms of maintaining a climate of trust between members or between members and organization.

Analyzing how the Decision-making system of Valcele Consortium is built up, we can notice that by The Statute are established The General Assembly and the Board of Directors.

All associate members belong to General Assembly, which has as main attributions:

- a) Establishing the strategy and general objectives of the association;
- b) Approval of revenue and expenditure;
- c) Approve an application for acquisition of membership;
- d) Approval of the proposed exclusion of members of the association;
- e) Determining the amount of the annual fee;
- f) Election and recall of the Board of Directors.

The General Assembly meets at least once a year and has permanent control over elected bodies (the Board of Directors and the Auditor).

It is legally constituted in the presence of 50 % + 1 of its members, and the General Assembly decisions are taken by a simple majority of the votes cast off decisions regarding the exclusion of a partner when the decision will be taken by a majority of 2/3 of the present outside judgments relating to the dissolution or change in social purpose of the association, in which case a majority of 3/4 of all members.

As stipulated in The Consortium statute, the Board is elected by the General Assembly and is composed of 5 members whose term is 4 years. Powers of the Board are:

- a) Ensure accomplishments of association objectives;
- b) Ensure the current management of the association;
- c) concludes legal acts for and on behalf of the association;
- d) Presents activity report to the General Assembly.

The Board meets quarterly or whenever necessary, being legally assembled in the presence of 2/3 of the members, and the decisions may be adopted by a

simple majority of the votes cast. The statute clearly stipulates that the consortium can become a member of the Consortium of Extension and Rural Development Vâlcelele any natural and/or legal Romanian or foreign, on "the consent order and bylaws free", associate membership is acquired after General Assembly approves the application.

Analyzing the above shows the following. The Statute of Consortium Vâlcelele doesn't include provisions for ensuring uniformity of members, therefore in practice situation were found where members of the consortium were both people and companies working farmland area of 1 ha (SC Prodcarn Danuta SRL , PF Elena Moldoveanu , SC Prodcarn Iliuta SRL) and 2,515 ha (SC Ildu SRL) , among them being found and PF Marin Lawrence 3 ha , SC Suin Eco farm SRL 10 ha , PF Cretu Gheorghe with 100 ha , SC Agrozootehnica Ulmeni company with 416 ha , 640 ha Ion Bogdan AF or SC Agroserv Borcea with 864 ha . Also , there are associate members who have as main business livestock and associate members who have as main business agriculture, and as geographical distribution the associate members are dispersed in eight counties : Calarasi (mostly of the associate members) , Ialomița (PF Eremia Niculae , SC Agroge- ma SRL , Il Ion Maria Nela) , Constanta (SC Bianca Dor SRL) , Tulcea (SC Amg Stas Company LLC), Giurgiu (SC Suin Eco Farm SRL) , Buzau (SC Good Farm SRL) , Virginia (SC Agro Stoienescu SRL) and County (SC Agromcons SRL) .

This is likely to hinder the adoption by the consortium and affects the consistency of its operation.

Observing how the management and decision structure of the consortium is build, is obvious that a cover up of this deficit was tried by both establishing very small quorums leading to approval of decision, as well as entrusting Board Members regarding decisions operation and achieve the statutory purpose of the consortium

Thus, it appears that the General Assembly is legally constituted in the presence of 50 % + 1 of all members of the association, and resolutions may be adopted by 50% + 1 of those present, so you can often get to a situation where important decisions for the operation or organization of the Association are adopted with the approval of only 26% of associate members. Although at first sight this seems a welcome solution to ensure the fluency of the decision, in reality can be serious consequences for the operation of the consortium as members not participating in the adoption of decisions that would not be agreed, it is affected confidence in the organization, and the decisions and even governing bodies of the consortium can easily be accused of illegitimacy.

Regarding the Board, things are much closer to the operation principle according to statutory provisions because it is assembled in the presence of 2/3 of the members which means 4 members, and decisions, taking 50% + 1 of all members present cannot be taken by less than 3 members, which means 50% + 1 even of all Board members .

Analyzing the activity of Extension and Rural Development Consortium Vâlcelele, it appears that in practice the choice of the Board follows a custom that its representatives are members of each area of geographical territorial division. This may be likely to cover part of the deficiency created by the absence of statutory provisions uniformity consortium members of the Board decisions,

both by way of adoption and necessary quorum, and the fact that each member of the Board represents a certain area, respective certain members, largely reinforces the legitimacy of decisions and resolutions adopted. However, the lack of homogeneity regulated operation and even existence of the organization is constantly put in danger, its goals being achieved with difficulty. The absence of such legislation easily leads to members disinterest for the well functioning of the association structure, which found in practice by associate members who are periodically excluded for not paying their subscription.

In conclusion, given that the cooperative sector is underdeveloped in Romanian agriculture, we believe that this is due to the practices of associative and cooperative structures, practices that are not likely to create a strong bond of trust especially between organization and its members.

As a general recommendation, is necessary from the establishment of associative structures or agricultural cooperatives, to include in the statute the operating principles such as that of ensuring member homogeneity. This would certainly lead to the strengthening of associative and cooperative sector in Romanian agriculture with notable results in terms of efficiency of the activity of its members.

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