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# The Economic Revival of the Rural Space Through Marketing Associations

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## Introduction

The notion of rural development contains all the activities performed in order to improve life quality for the people living in the rural space with regard to the preservation of natural landscape and culture, ensuring the sustainable development of the rural space<sup>1</sup>. The final goal of the rural development is to accomplish the functions of the rural space. Thus, according to the European Charter of the Rural Space, these functions are as follows: economic, ecological, social and cultural function. The main function of the rural space is the economic one with agriculture as main activity and all the other activities related, such as food industry, forestry, handicraft etc. The accomplishment of the economic function presumes the existence of an agricultural production system able to ensure the entire food quantity for the population, a certain level of the income (profits) for the farmers and their families, preserving in the same time, the environment and contributing to the revival of the production means, such as soil and water resources for the next generations.

## Problems of the Romanian Rural Space

Nowadays, the Romanian rural space has to face with a number of problems, which almost enables the carrying out of its functions. From these problems we mention some economic problems, such as:

- inefficient agriculture due to the big number of very small farms;
- very low diversification degree of economic activities;
- the rural population has low income from agricultural activities and almost at all from non-agricultural activities;
- low technical endowment at farm level;
- lack of financial resources;
- difficulties in marketing agricultural products.

The biggest problem is that not only the agricultural profit is transferred to the activities down-stream and up-stream of agriculture, but also the agricultural capital due to the prices.

Thus, the farmers cannot ensure a really positive income from the price differences for the outputs and inputs. In this way they do not have income comparable with the income in other fields of activities.

We could say that History repeats itself in the case of Romania. The problems presented are the same with those from the period between the two World Wars. At that time, the solution for the rural problems was, according to the specialists, the co-operation. Thus, Mitiță Constantinescu considered that even the co-operatives were very weak and undeveloped enough, they had the network on which the country could develop its rural space developing economic activities<sup>2</sup>.

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<sup>1</sup> Vincze, Maria (2000), *Dezvoltarea regională și rurală. Idei și practici*. Presa Universitară Clujeană, p. 16.

<sup>2</sup> Constantinescu, M. (1943), *Politică economică aplicată*, vol. 2, București, p. 42.

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Unfortunately the population did not participate enough in the cooperative movement because of the distrust in the cooperative's capacity to help and solve material and financial problems. This distrust was generated, as it was written by the specialists of the time, by the corruption and abuses within the co-operatives. Other cause for the low efficiency of co-operatives was the dispersion in small units without economic power; the economic weakness of the members; low support from the state; the usage of cooperatives and their members in political fights etc<sup>3</sup>.

The co-operative movement faced with other two trials along the time: collectivization in the communist regime and the building-up of agricultural companies on the skeleton of the co-operatives destroyed in 1990. These trials had long term effects on the farmers' mentality. The farmer lost his ability to organize his work and to run the business of his farm. He got used to be led and to be told what to do and how to do it<sup>4</sup>.

The actual forms of association used by Romanian farmers wandered too much from the genuine principles of co-operation. The members of the association do not own and control the activities of the organization. They do not involve themselves in the co-operative's activity and management. Although, they are formulated different in different countries of the world, basically the co-operative principles refer to:

- voluntary and open membership;
- democratic management and control;
- member promotion (promotion of the economic interest of the members and the co-operative enterprise);
- identity of co-owners and customers of the co-operative.

The co-operative type organizations have a number of characteristics suitable for the rural development. Thus, co-operatives offer to the member's advantages from reducing expenses by using local resources<sup>5</sup>. Acting as input-output circuits, co-operatives facilitate the farmers connecting them to the national economic flows. Also, being vertically integrated in a co-operative system they can combine the advantages of a large organization with the flexibility of a small organization competing successfully other business companies.

We consider that the economic revival of the rural space could be achieved by encouraging the association of farmers in marketing associations because through the chain reactions we could obtain the increase of the agricultural production, the improvement of agricultural product quality and to increase the farmers' income. With this regard, we mention that within the Romanian Agribusiness Development Activity project (RADA) financed by the United States Agency for International Development (USAID), the International Seminar "Marketing Associations in Agriculture. Present and Future" was held in Iasi on 23-24 January 2001, under the patronage of the Romanian Academy, with the participation of the "Gh. Zane" Institute of Economic Research and the Faculty of Economy and Business Administration, and organized by the "Terra Nostra" Academic Foundation for Rural Progress.

Approximately 50 guests participated, and these are experts in co-operation and marketing from the U.S.A., the Netherlands and Germany, science researchers, university professors, specialists of the Ministry of Agriculture, Food and Forests, the General Department of Agriculture and Food and the County Office of Agricultural Consultancy, the Romanian Chamber of Commerce and Industry (CCI), managers of agricultural and professional associations, farmers, mayors, and journalists.

The purpose of the action was the promotion of the marketing associations in agriculture for the efficient use of agricultural production both by direct sales and by the reprocessing and industrial processing of agricultural products.

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<sup>3</sup> Axenciuc, V. (1997), *Introducere în istoria economică a României. Epoca modernă*, Editura Fundației "România de Măine", București, p. 265.

<sup>4</sup> Otiman, P.I. (1997), *Dezvoltarea rurală în România*. Editura Agroprint Timișoara, p. 334-335.

<sup>5</sup> Dona, I. (2000), *Economie rurală*. Editura Economică, București, p. 294.

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The main objectives of the action were: the assessment of the present use of agricultural production; the assessment of the experience in organizing marketing associations; drafting a plan of action regarding the means of improving the legislative and institutional system; suggestions regarding the formation of initiative groups to set up associations, and the envisaged forms of marketing associations promotion.

Based on the information provided by the seminar and on a serious study of the Romanian tradition in the field, as much as on the experience and models provided by the European Union and the U.S.A, a group of Romanian and foreign experts in marketing devised two materials:

- the normative act draft regarding the marketing associations in agriculture and in the vegetal and animal raw material processing industry;
- the information support for the farmers regarding the setting up, organization and functioning of the marketing associations in agriculture.

The proposed draft has a specific character, it refers to a field which is not yet regulated, does not interfere with any other valid regulations, and opens up new opportunities for the farmers to participate in the redistribution of the profits obtained in the chain of production – reprocessing – industrialization – commercialization. Thus a legal framework is created, which will boost the re-capitalization of agriculture.

The training materials were tested by the County Offices of Agricultural Consultancy of Iași, Satu Mare and Brăila, being introduced and presented to agricultural consultants and to groups of farmers who are potential members of associations.

The presentation of the training material regarding the marketing associations made the farmers to be interested in the subject and conducted to very interesting discussions. We can notice that the farmers presented themselves the problems that they are facing with nowadays starting with those related to the input supply, production problems and ending with the marketing of agricultural products. During the discussions the farmers tried to analyze the possible solutions to their problems. Thus, all the farmers agreed upon the fact that the marketing associations are necessary in this period because they could benefit from the advantages of co-operation obtaining increased negotiating power, increased quantities of agricultural products, quality improvements and saving time. The farmers were those who mentioned that the marketing association should require standard qualities and that it is possible to be achieved only by respecting the production technologies, meaning that it is necessary to have bigger surfaces of land. In this way themselves suggested the merge of lands and it was considered the main solution in order to increase the efficiency of the activities. Farmers mentioned also that is more profitable for them to be provided together with the necessary inputs and that delivering larger amounts of products on contract bases solves the problem of producing according to the market demand. Furthermore, in some communes, the representatives of the local authority mentioned that there are some buildings in the property of the local councils and it is possible to use them as warehouses for the agricultural products.

The cow breeders from Carei, Satu Mare County, launched the idea of concessioning the meadows from the local council in order to improve its quality.

As result of the activities performed by the OJCA specialists during the field visits they were established 3 marketing associations: 2 by the vegetable growers in Victoria and Țibănești, Iași county, and 1 by the cow breeders in Carei, Satu Mare county. One of the marketing associations (Victoria) is delivering already the cucumbers on contract bases to the Metro company (Iași). Also, some of the companies with big selling capacity, such as SC Alimentara SA, company with 30 shops in Iași city among which the biggest is the Commercial Complex “Hala Centrală” (2000 square meters of commercial space) already expressed the preference to buy the agricultural products in large quantities directly from farmers. In this case the marketing associations could deliver the products in the quantities and qualities required by the urban market.

From the facts presented previously we can conclude that after 10 years of trials regarding the subsistence agriculture, without any production means, the farmers are willing to join their forces and sell their products in better conditions. It is a long learning and trust regaining process for the farmers, both in the people living around and in their own forces. Without the involvement of

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the specialists in promoting and co-ordinating the establishment of the marketing associations and without the state support in ensuring the legal framework favorable to this movement, the chance to rehabilitate the co-operation in Romania will decrease. For the big number of small farmers the association could be a valuable solution.

By the marketing association we can achieve local rural development because increases the income, offers new jobs, develops rural infrastructure and revives the local economy.

The economic revival of the rural space through the marketing associations is a long process in time, which has several phases. In the beginning, established by the individual farmers, along its development, the marketing association could develop the most complex activities aiming to control the entire circuit of the agricultural products<sup>6</sup>. Thus, if nowadays the farmers are involved in direct commercial contacts with the market, sellers, processing units and they have a low negotiating power without the protection of a commercial contract, in a first phase organizing marketing associations and involving farmers in preprocessing activities, they could select markets for the agricultural products and negotiate prices eliminating the sellers from the producer-seller-processing unit chain. After this phase, the advantages of the members increase with the possibility to have their own processing units and shops. In this way, the economic revival at micro-region is even more obvious.

We consider that the alternative presented is not an invitation to a forced association and the co-operation should be regarded as reconsideration and returning to the basic, traditional principles but efficient ones. In this spirit, the marketing association represents a co-operation form, which combines the traditional elements with the present requirements of the Romanian rural space.

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<sup>6</sup> Dobay Krisztina Melinda (2001), *Asociațiile de marketing în agricultură*. "Dezvoltare și cooperare rurală", nr. 1, Editura "Terra Nostra", Iași, p. 28-31.