

Cooperatives for rural development in Romania

- Income generation through organic agriculture -

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Agenda

1	Problem Statement
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Problem Statement

- ▶ **Romania's agricultural potential**
 - ▶ almost 8,5 mil. ha of arable land and family gardens according to INS (2010)
- ▶ **Increase interest in organic agriculture in Romania**
 - ▶ In 2012 there are more than 8,500 certified produces, intermediaries and traders (MADR 2013)
- ▶ **The need for rural development in Romania**
 - ▶ approximately 29% of the active population is employed in agriculture (INS,2011).
 - ▶ Majority of households in rural areas are producing for mere survival
- ▶ **Experience with organic cooperatives in Nepal**



**Cooperatives
for organic
agriculture?**

Research Question

Would the creation of cooperatives dedicated to organic agriculture lead to rural development?

- ▶ What would be the business model of an agricultural cooperative?
- ▶ What are the conditions that lead to establishing cooperatives?

Applied methodology

Literature Review

- ▶ Rural development programs
- ▶ Agricultural Cooperatives in Eastern Europe
- ▶ Business Models

Surveys

- ▶ Survey of organic farmers in Chitwan District, Nepal
- ▶ Interviews with Romania farmers

Review of grey sources

- ▶ Governmental agencies
- ▶ NGOs
- ▶ Market studies

Why cooperation is needed

In Romania:

- ▶ The agricultural landscape is dominated by highly fragmented land areas: most of the 3,8 milioane agricultural areas are less than a 1 ha (IES, 2013)
- ▶ Over 1 million citizens are unpaid family workers, with no wage income or in kind reimbursement for the farming activities (IES,2013)
- ▶ In 2007: 15 088 ha of agricultural land by 71 agricultural entities, increasing 4.5 times compared to 2005 (INS, 2011)
- ▶ Small farmers encounter a range of difficulties such as:
 - ▶ lack of bargaining power
 - ▶ restricted physical access to markets
 - ▶ low productivity due to lack of machinery
 - ▶ restricted access to credit (Lernman,2004)

Why cooperatives are likely to be more successful than individual farmers

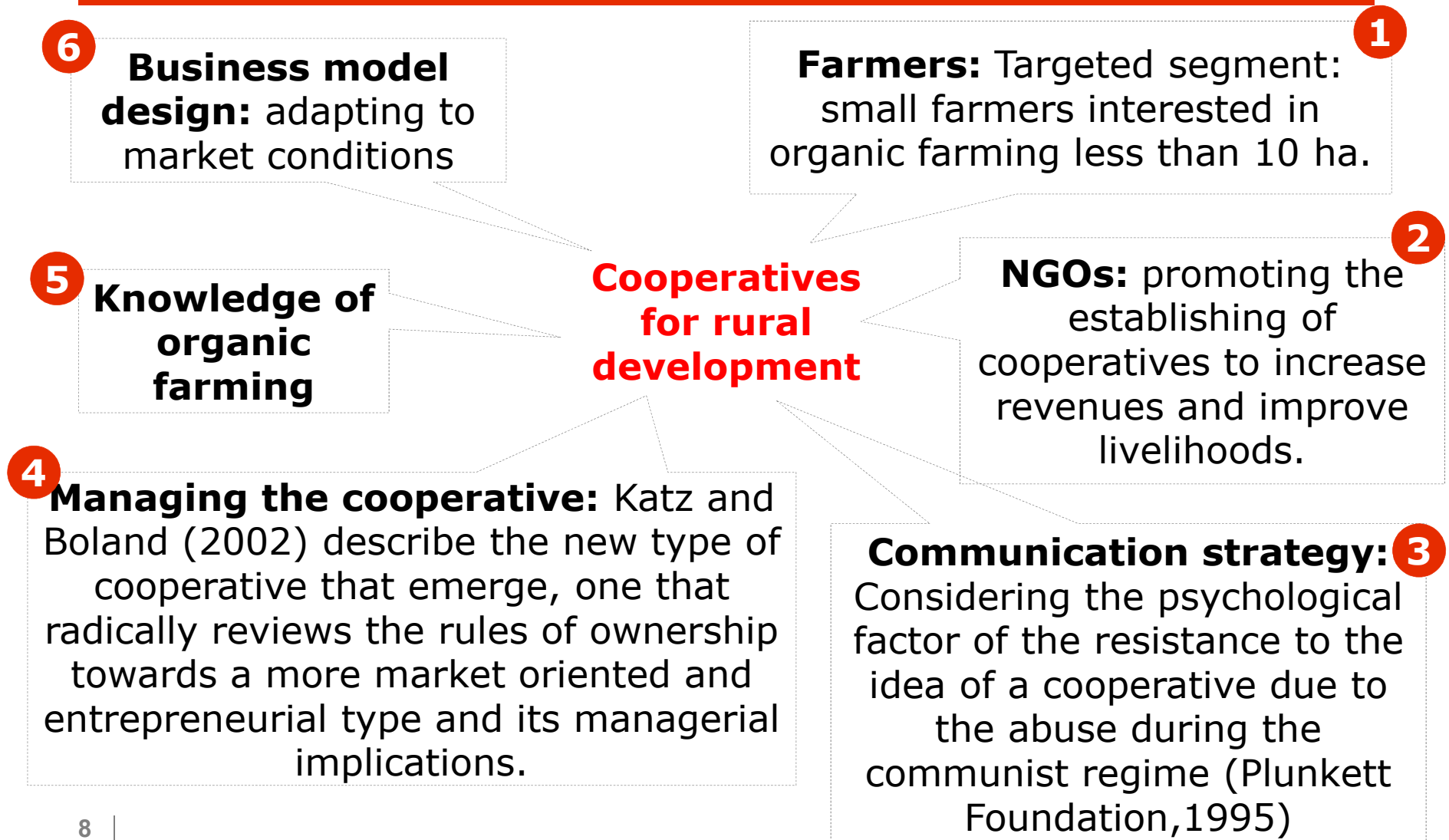
Nepal experience:

- ▶ Several examples of successful cooperative of organic medicinal plants (Munteanu, 2010)
- ▶ The increase in income generated through organic farming by being able to provide larger quantities as a cooperative (Nechita, 2011)

Scientific literature:

- ▶ Empirical evidence suggest that the farm size has a strong impact on the degree of commercialization => More land means higher commercialization (Lernman, 2004)
 - ▶ Enlarging the farm land through forming cooperatives would bring the same benefits relative to commercialization as leasing of land

Creating cooperatives – a rural development strategy



2 NGOs projects to stimulate the creation of cooperatives

NGOs because:

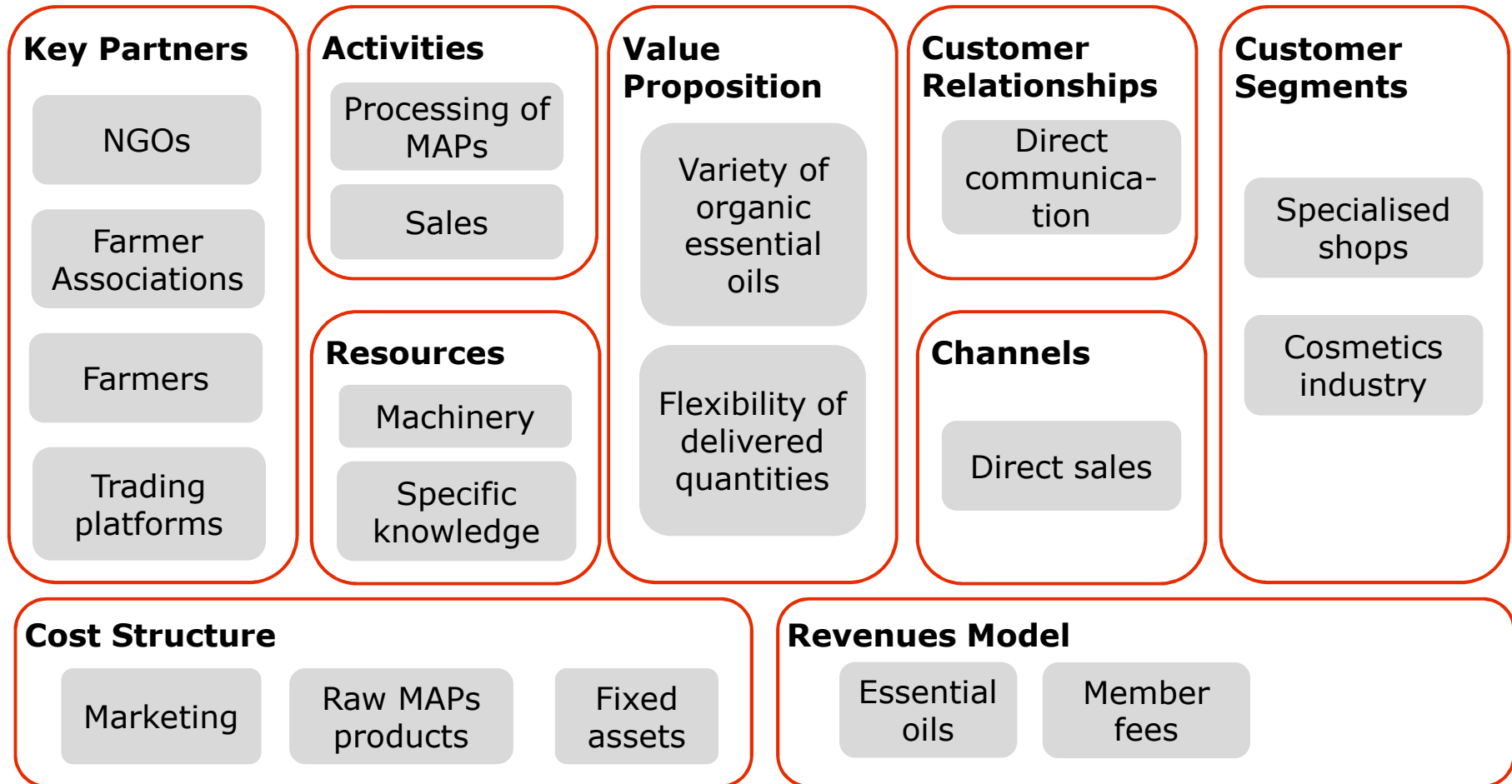
- ▶ Nepal Experience showed that NGOs did a very good job => it is reasonable to think that it can be achieved in Romania too
 - ▶ In Romania there are 67.000 registered NGOs (IES, 2013)
- ▶ NGOs can be closer to the farmer, and have a good attitude and be more involved (volunteers)
- ▶ NGOs are accountable for their results to their financing organizations and they have clear incentives to be successful
- ▶ Arguably, they do a better job than governmental institutions when it comes to development programs

However:

- ▶ A good exist strategy must be designed (empower members of the community to do further research; create a SPOC; establish connections between farmers and knowledge sources such as institutes; build farmers networks)

Analysis

6 Business Model for a Cooperative cultivating organic medicinal plants



- ▶ Multiple variations on the Business Model are possible, as each cooperatives should adapt the model to suit preferences, resources of members
- ▶ Application of Business Model Canvas –Osterwalder & Pigneur (2003)

Conclusions

YES! Organizing cooperatives is viable strategy for rural development, under certain conditions:

- ▶ Cooperatives are formed and they act and are managed as companies
- ▶ Leadership and vision exist
- ▶ Organic farming certification is achieved by the farmers as producers and by the cooperative as trader
- ▶ Specific knowledge on organic agriculture is available
- ▶ Expert knowledge on MAPs must be effectively communicated
- ▶ Although not essential, communication with governmental authorities and subsidies are an additional incentives for adoption of MAPs cultivation

However:

- ▶ The communication strategy of the NGOs regarding the creation of cooperatives is crucial
- ▶ Exist strategies are essential – capacities must be built to achieve continuity
- ▶ Funding strategy of such projects is still under development

Further research areas

- ▶ In depth market studies to fill the market information deficit regarding traded volumes of organic products key actors to improve market transparency
- ▶ Identification and design of financing options and mechanism
 - ▶ Organic certification for farmers & cooperatives;
 - ▶ Assets for cooperatives;
 - ▶ NGO projects
- ▶ Policy design: a subsidies scheme for organic certification of farms
- ▶ Assessment of governmental policies for rural development;
- ▶ Investigating the effectiveness of governmental and NGO initiatives on medicinal plants cultivation is an important process as it leads to learning that can improve future projects.

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Thank you!

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