



Romania's agriculture cooperatives' needs and challenges

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BRIEF LOOK ON ROMANIA'S AGRICULTURAL COOPERATIVES



1,050 # of agricultural cooperatives registered in Romania's Trade Registry

540 # of agricultural cooperatives with registered balance sheet in 2017

186 # of cooperatives with turnover > 0

14,175 # of members (individuals and companies)

842 # of employees

**EUR 297m
turnover**

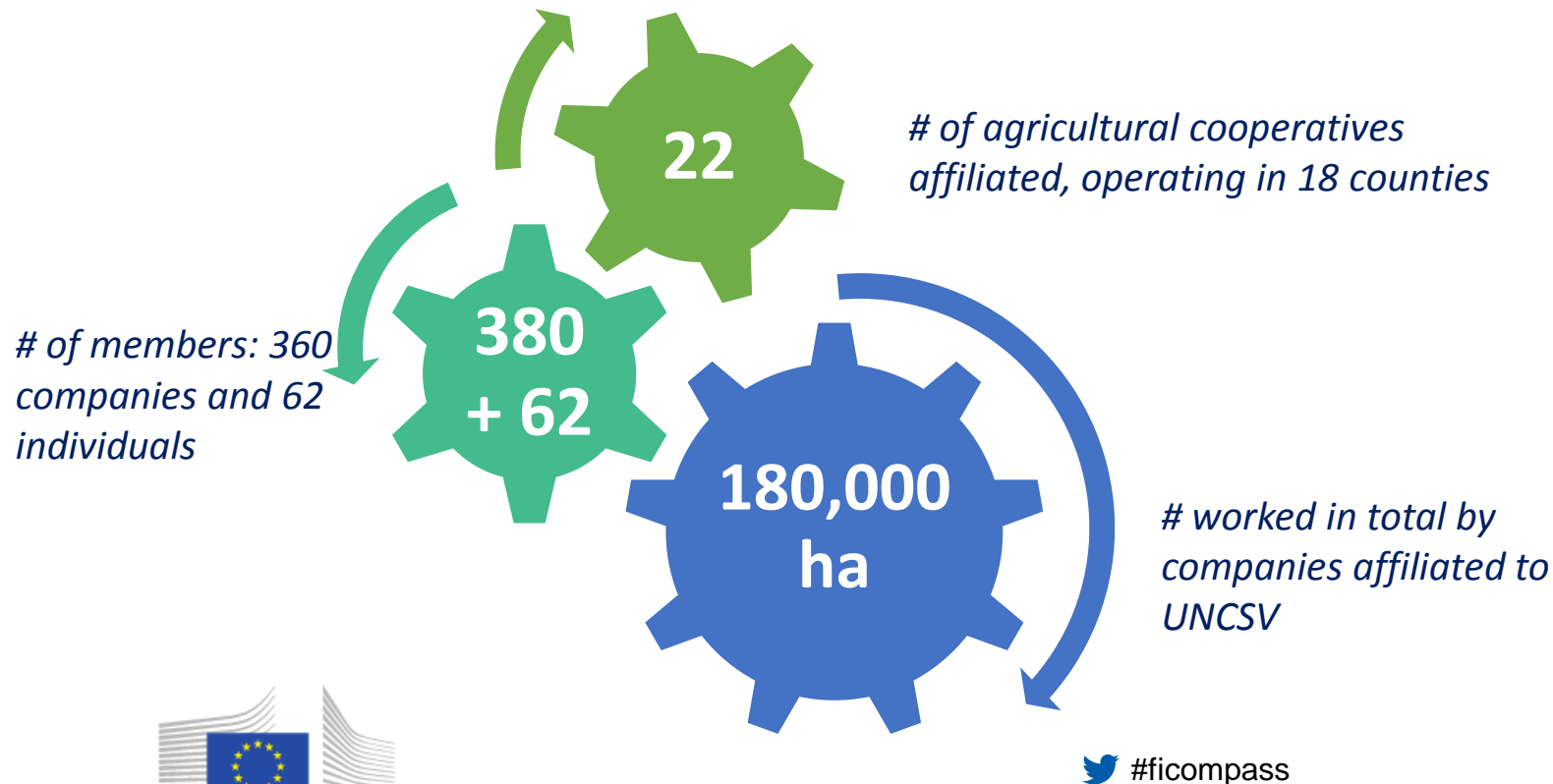


** Official data for 2018 fiscal year are still to be updated;*

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National Union of Agricultural Cooperatives from the Vegetal Sector (U.N.C.S.V.) is a professional organization set up in 2017 which reunites:



Its purpose is to create the infrastructure, both legal and economic, so that the cooperatives can operate to their best capacities - more than 260 official addresses

Overview



- ♣ We believe that one of the factors of definite progress in the sustainable development of agriculture and the rural environment is the establishment and development of efficient and fair agricultural cooperatives, absolutely essential actors in the creation of predictable and perennial value added chains in the Romanian agriculture.
- ♣ In order to have a significant impact on the rural environment, the agri-food sector and support all its members, cooperatives need to be capitalized and make joint investments to serve all members in order to be competitive in the single market and allow them to capitalize.
- ♣ **This will be possible if they will have the financial instruments to achieve it!!!**



Our main financial challenges



- ♣ Low level of capitalization in agriculture;
- ♣ Land grabbing – Romanian farmers suffer because they are mainly granted short to medium term loans for purchasing land;
- ♣ Restricted financing – difficult access to financing especially in the case of cooperatives; very high costs and banks' preference to grant short and medium term loans;
- ♣ Limited understanding of the agricultural segment on behalf of banks, even the ones with dedicated divisions, reliance to finance long term relationships;
- ♣ Lack of financial tools (including insurance) to provide, together with banks, a long term financing solution with adequate, sustainable costs;
- ♣ Lack of insurance tools to cover farms' profitability;
- ♣ Unpredictable domestic financial and legal background, with sudden and short term changes;
- ♣ Credit coverage/ guarantee issues – the assets and management of the members must not be confused with the assets and management of the cooperative.



Our main development challenges



- ♣ ***Lack of integration*** – Romanian farmers sell their crops as raw material, without integrating it and closing the food chain;
- ♣ **Lack of framework for cooperatives to be the solution for integration – instead of consolidating one farmer with integrated solution for valuing its crops, encourage associations to come together and create this added value for all of them - French model;**
- ♣ **Retail's abusive unfair trade practice** – Romania needs a stricter contractual frame for the farmer-hypermarket chain; the current directive in force works better in the developed countries;
- ♣ Build best practice experience within cooperatives – lack of domestic experience versus communist history.



The way we see development



- ♣ **Maintain CAP budget** – the European budgets for agriculture and food issues are crucial;
- ♣ Direct introduction of the agricultural cooperatives in the European Parliament Regulation and in the Council that establishes the norms on the strategic plans support that are to be developed by the member states within the Common Agricultural Policy;
- ♣ **Synergies** between various funds and tools (CAP, Horizon Europe, etc.);
- ♣ **Public domestic involvement** in development and negotiation together with the financial institutions for creating a credit solution for agriculture and agricultural cooperatives to cover long term and lower costs, compared to western markets; e.g. experience of non-financial institutions.



The way we see development



- ♣ Continue the trend of current National Strategic Plan 2014-2020, that finally placed more importance on cooperatives and brought it to the next level:
 - ♣ **Dedicated measure** for cooperatives with the future allocation;
 - ♣ **Increase the maximum ceiling allocated for investments** done by cooperatives for integration and cross-development;
 - ♣ Create the background (including through CAP) to have **lower financial costs** and encourage western institutions to be more active in financing directly agriculture in Romania, in order to reach EU financing costs;
 - ♣ Increase the **coverage by Guarantee Funds** to 100% for advances in projects done by the agricultural cooperatives;
 - ♣ Increase the support for the **commercial component** of the food chain (shops, commercial network) done by the agricultural cooperatives to max 90%;
- ♣ Promote and diversify financial instruments for:
 - ♣ Facilitating access to working capital;
 - ♣ Insuring/covering the profitability;
- ♣ Create an adequate tool to encourage local farmers to buy land, with at least 5 years grace period and 25 years financing period and inflation rates costs.





We welcome the launching of the **1 billion EURO credit ceiling** dedicated to young farmers announced by the European Commission and the European Investment Bank (EIB).

We appreciate any wider prelaunching consultation for this ceiling as well as any other financial instruments!



National Union of Agricultural Cooperatives from the Vegetal Sector (U.N.C.S.V.)



Thank you!



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financial instruments capacity building Farming
Rural development funding agreement EU guidance
added technical support co-financing ex-ante assessment final
value seminars governance intermediaries recipients
leverage EAFRD fi-compass case studies
Agriculture thematic objectives Targeted coaching
business plan equity
advisory services RDP guarantees private investors
conferences banks revolving life cycle combination
fund of funds loans microfinance CAP of support
DG AGRI Agricultural products investment strategy EIB Group