

## Agricultural Holdings from Concept to Economic Performance

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### Abstract

*Romania's agriculture is a basic element in the national economy, due to its potential and existing natural and human resources.*

*Performance is a hotly debated topic in all areas of activity, but in agriculture it needs a distinct approach, as an important role in influencing performance dynamics is played by natural factors, which are the consequence of climate change and increased pollution. Performance is not just about achieving short-term results, but also about implementing strategic policies for the sustainable development of farms. This article has been written in order to support people interested in information on economic performance in agriculture.*

**Key words:** performance, agricultural holding, accounting

**J.E.L. classification:** J43, O13, Q10

### 1. Introduction

In the case of agricultural holdings, performance must be addressed at the same time as risk, which is best illustrated in agricultural activity by natural factors that produce changes both in the structure and financial balance and in the price of agricultural products.

The natural resources owned by our country propel agriculture to the point where it can revive the national economy with the growth and development of the agricultural sector. The impact of agriculture on the national economy as well as the need to identify the causes that hinder the growth of the performance of the agricultural sector, is the motivation to start this research study.

### 2. Literature review

In the literature, agricultural holdings are presented to us as those complex forms of organization, which have the role of highlighting the land, animals and all means of production, which they interconnect in a unitary system, in order to execute works and provide services for obtaining agricultural products (GEO no. 108/2001, art.1).

In other words, we can say that the agricultural holding is a unit of production, which uses land, plants and animals as the main means of production to obtain agricultural products, but this form of organization must be seen not only as an economic entity but also as a primary element in the social, demographic and ethnological structure.

In current practice but also in specialized studies, in addition to the notion of agricultural holding, the notion of agricultural unit or agricultural enterprise is also used, both with a substitutable and complementary meaning. From the definition of the three concepts by the specialized literature, we can subtract the following characteristics:

Table no.1 The table of activities specific to the three types of form of organization

| Types of activities specific to agriculture             | Agricultural holding | Agricultural enterprise | Agricultural unit |
|---|----------------------|-------------------------|-------------------|
| Production of the vegetable type                        | yes                  | yes                     | yes               |
| Animal production                                       | yes                  | yes                     | yes               |
| Provision of agricultural services                      | no                   | yes                     | yes               |
| Primary processing of production and its capitalization | no                   | yes                     | yes               |
| Specialized, technical, scientific assistance           | no                   | no                      | yes               |
| Promoting and defending agricultural interests          | no                   | no                      | yes               |

Source: author's projection

The legislative framework and the literature group the agricultural exploitations according to several criteria such as: size, profile, economic doctrine, land ownership, human resource, destination of production and other legal-economic criteria (Alecui et al, 2011, p.32). In Romania, the most used criterion for classifying agricultural holdings is represented by the property criterion, which results in the following types of holdings:

- family-type agricultural holdings, which are the most common forms of organization in our country, are considered the basic unit of agriculture, in which the family is the main source of labor, based on private ownership of land or its lease, and their support by public administrations aims to maintain a socio-political and socio-economic balance;

- individual family-type agricultural holdings, are represented by those agricultural holdings that appeared in our country with the application of the Land Fund Law and the privatization of agricultural companies by abolishing the former I.A.S.;

- agricultural holdings of the type of companies, are set up in accordance with the legislation in force and can take the form of the following categories: general partnerships, limited partnerships, joint stock companies, limited partnerships and limited liability companies ( Companies Law no. 31/1990, art.1.) ;

- public agricultural holdings, are those units that are under the administration of public institutions and that carry out agricultural activities of national interest such as research stations and teaching stations;

- associative agricultural holdings or agricultural cooperatives, as they are also called, may be set up as simple associations or agricultural societies, on the basis of the free consent expressed by the component parties for the purpose of promoting the interests of the cooperating members ( Law on agricultural cooperation no. 566/2004, art.2).

We can say that in Romania, the most widespread form of organization is represented by family farms that represent the basic cell of agriculture in terms of ethnology, social and property, capitalizing on both land and human resources, and if we look at this type from an economic point of view we will realize that it is not the most profitable, because most of the products obtained are used for own consumption, this being valid for farms that have an area of less than two hectares. The largest number of individual farms in Romania have a land area between 2 and 5 hectares, from this area the small farmer obtains agricultural products that exceed their own level of consumption being forced to sell some of them, obtaining an income.

### 3. Research methodology

The author Constantin Enachescu relates in his work "Treatise on the theory of scientific research" that ideas do not appear by chance and can not arise from anything, having something that is at their origin, coming from a source and being intelligibly related to it (Enachescu, 2005, p.2). Starting from this teaching and analyzing the management system of methods, procedures and techniques used to develop this scientific paper, we went through the following steps: studying the literature with applicability in the field, setting research objectives, collecting and processing data, formulating personal conclusions and opinions.

The main objective of the research is to analyze the performance of agricultural holdings and identify the factors that influence performance in agriculture at the microeconomic level, followed by specific objectives such as:

- identification of the types of agricultural holdings in Romania;
- positioning agriculture in the Romanian economy;
- identification and application of the main methods of performance analysis at microeconomic level;

The paper includes elements that describe the economic performance from a theoretical and practical point of view, and from a methodological point of view it combines, in a logical form, the quantitative research with the qualitative one. The combination of quantitative and qualitative methods in this research leads to the formation of the triangulation process that reduces the specific inconveniences of research methods, helping to obtain the desired information in several ways and providing a true picture of the phenomenon studied.

In order to achieve the proposed objectives we used for the elaboration of the paper the descriptive method useful in reviewing the literature, document analysis to capture the interactions between the studied phenomena, such as production fluctuation, average selling price, comparative analysis between economic phenomena studied in order to highlights the evolution or involution of economic and financial indicators, as well as the generating factors, the results obtained as well as the case study that has the role of concretizing the theoretical aspects generating a series of conclusions, opinions and interpretations.

#### 4. Findings

Agricultural activity is an economic activity that aims to produce food for the population and to capitalize on agricultural products obtained from cultivating land or raising animals. In order to determine the place of agriculture in the Romanian economy we must start from the analysis of agricultural functions, and one of its most important functions is to supply agri-food products for consumption by the population on the domestic market, the analysis of this function shows the need to support and develop the agricultural system in order to maintain a socio-economic balance that smooths the trajectory of a people with healthy development and permanent stability in obtaining food (Achim et. al, 2014, p.60). The social character of agriculture is closely related to the labor force needed to carry out agricultural activities, but also to the supply side of raw materials for the manufacturing industry, generating new technological flows that absorb labor from the local market. The economic side of agriculture is best highlighted by its participation in the formation of the Gross Domestic Product, but it is also a source of currency for the national economy by capitalizing on production for export. Another function of agriculture is the one of strategic importance, through which it contributes to the formation of state reserves for unforeseen situations and to the management of the biological processes of growth and development of living organisms.

If we analyze the statistical data processed by the profile institutions we will notice that in Romania for the reference year 2019 agricultural products worth 7196 million euros were exported and agricultural products worth 8379 million euro were imported, from where we can draw the conclusion that a large part of agricultural products go for export, especially in the first phase of harvesting when due to the lack of storage spaces, in optimal conditions, of agricultural products they are sold at quite low prices, and after a period after decreasing stocks in the agricultural market and increasing demand is resorted to the import of raw materials or products, but at much higher prices.

According to data provided by Eurostat, Romania's agriculture has a significant influence on GDP, as follows:

Table no. 2 The evolution of GDP from 2016 to 2021

| Indicators   | 2016   | 2017    | 2018    | 2019    | 2020    | 2021<br>(estimated dates) |
|--|--------|---------|---------|---------|---------|---------------------------|
| GDP - from agriculture, in millions of euros at current prices | 170393 | 187 773 | 204 640 | 223 335 | 211 352 | 225 277                   |
| GDP growth at constant prices                                  | 4.8%   | 7.1%    | 4.4%    | 4.1%    | -6.0%   | 4.2%                      |

Source: Eurostat (<https://ec.europa.eu/eurostat>)

If we analyze the data in the table above, regarding Romania's GDP in recent years, we will see that the highest value of GDP from the agricultural sector was in 2019, when a record was set for our country in production of cereals compared to the number of hectares cultivated, with a slight decreasing trend in 2020 due to unfavorable climatic conditions, especially lack of rainfall, since the beginning of the agricultural season, but there is a positive trend in the value of this indicator in 2021 which will increase if the foundations of a sustainable agricultural policy are laid. The low performance of the agricultural sector in 2020 is due to the lack of competitiveness which reflected a low productivity as well as a regression of economic growth generating a deficit of agri-food balances, due to the fact that the agricultural industry fails to keep pace with growing demand for products. internal and external market.

We can say that the development of agricultural holdings and the entire agricultural sector requires the practice of sustainable agriculture, even if it is a complex and difficult process, which can be an alternative to intensive agriculture based on industrialization and chemicalization. The sustainable and sustainable development of Romanian agriculture can be achieved by developing competitiveness based on the real resources of this sector and by promoting technologies that protect the environment (Burja et. al, 2008, p.12). This system of farming aims to develop the rural economy, to ensure alternative incomes and a high standard of living for farmers, but also to ensure the continuity of the practice of this activity by future generations.

## 5. Conclusions

Starting from the idea that the agricultural holding is an economic unit that uses as means of production land, plants and animals to obtain agricultural products, we can say that it is also the place where some of the country's population live and work, managing a much of the territory and actively participating in maintaining and improving the ecological balance. Thus, the role of the agricultural exploitation goes beyond the framework of a simple branch of production combining with the demographic and social component of the contemporary society.

The performance of agricultural holdings certainly depends on the development of society as a whole, on the land, agricultural resources and the population that manages it, being influenced by the political and social events that take place in civil society.

Following the study, we can say that agriculture in Romania has a significant potential for natural resources and human resources, but for its development and capitalization is needed economic-financial and technological capacity and a sustainable development strategy.

The process of developing farms requires a transition from subsistence farms to competitive farms, the integration of small producers in domestic markets through associations, the development of infrastructure projects in rural areas to attract investors to build production lines and processing of agricultural products and merging of lands to benefit from structural funds for large crops.

As an alternative for the development of Romanian agriculture, some niche activities must be approached, such as: the development of ecological agriculture, the attestation of the products of geographical origin, the promotion of the traditional product concept and the creation of free market structures.

The notion of economic performance of agricultural holdings is a complex one and must be seen in a global context because it is influenced by a number of factors such as: farm size, degree of technology, soil quality, climatic conditions, pedo-geographical location, etc.

At the entity level, the method that gives us the expected results of the economic performance analysis is profitability, in all its dimensions, because it illustrates the holding's ability to make a profit based on the resources held (Branka et. al, 2016, p.1363).

The performance of the agricultural holding is also closely related to the way of coordinating the activity by the managers, to the way they procure their resources and the way of spending them in order to obtain profit. Performance is not just about reducing spending and maximizing revenue to make a profit, because there are cases where rising spending highlights a viable society that is booming, investing heavily in loans, generating a much larger volume of spending.

In the view of some entrepreneurs, performance is understood by the simple fact that income covers expenses, not taking into account productivity and efficiency or are concerned with "beautifying" the results by influencing profitability that affects the productivity of labor and economic efficiency.

We can say that the performance of agricultural holdings depends on the competence of the people in the administration department, as well as on chance, due to the multitude of climatic factors that man cannot control.

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