

## AN ANALYSIS OF S.C. AGROMIXT SPINENI S.R.L. AGRICULTURAL COMPANY'S EVOLUTION AS AN EUROPEAN FUNDS BENEFICIARY

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### Abstract

This paper presents an analysis of the evolution of the agricultural company S.C. AGROMIXT SPINENI S.R.L. between 2012-2015 during its absorption of European funds of a total value of 1,755,939.69 lei. During this period, the agricultural company submitted and implemented three financing projects with the support of the European grants available for farmers in Romania.

The financing projects mainly targeted the company's machinery fleet modernization and renewal and simultaneously the increase of its production efficiency, optimization of the economic indicators etc.

Through the three investments performed with European support, the agricultural company S.C. AGROMIXT SPINENI S.R.L. acquired a total number of 10 units of machinery and agricultural equipment. As it will be shown in the current analysis, these acquisitions enabled the company to increase its farming area, to diversify its range of crops entering the seed production industry, to optimize its labor costs and thus to increase its profit.

The total value of the investments by the financing projects was 2,926,566.16 lei

The agricultural company S.C. AGROMIXT SPINENI S.R.L. is an example of success regarding accessing of the European funds by the farmers from the countries benefiting from them.

**Key words:** european funds, machinery, financial competitiveness

This paper aims to demonstrate the favorable impact of European funds absorption by the farmers, funds which are intended to modernize and increase the efficiency of the agricultural sector in Romania.

Specifically, the paper reviews the development and growth of the economic efficiency of the agricultural producer S.C. AGROMIXT SPINENI S.R.L. who developed three investments by absorbing European funds in the timeframe 2012 – 2015.

Since 2007, as a new European Union member, Romania has acquired new rules regarding the agriculture sector and rural development through the Common Agricultural Policy (CAP).

The Common Agricultural Policy is a set of mandatory rules and measures for the EU Member Countries, developed specifically for increasing productivity and ensuring the food needs of the EU population.

In Romania, initially for 2007-2013 and subsequently for 2014-2020, the rural development

sector is supported by the European Union through the Rural Development Programme (RDP).

Based on the initiative of the European Council regarding the support of the rural development by the European Agricultural Fund for Rural Development (EAFRD), The National Strategic Plan designed for Romania was developed, which is the instrument for implementation of the Rural Development Programme (RDP) for the period 2007-2013.

In conclusion, the RDP is the tool for accessing the European Agricultural Fund for Rural Development and was developed for the time frames 2007-2013 and 2014-2020.

EAFRD is complementary to the direct payments per farming area targeting farmers or, respectively, individuals and/or legal entities, developing an agricultural production activity.

While the Agency for Payments and Intervention in Agriculture (APIA) manages these direct payments, the Agency for the Rural Investments Financing (ARIF) manages the European funds aimed at the modernization of the agricultural sector.

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## MATERIAL AND METHOD

Studies required for the preparation of this paper were carried out between 2015-2016 using as sources of information especially primary data. In this regard, the authors held a series of interviews at the company headquarters taken into study, S.C. AGROMIXT SPINENI S.R.L. in Andrieșeni commune, Iași County. Company documents were analyzed in detail regarding the developments of its farming areas between 2010 – 2016, regarding the evolution of economic indicators and the development of technical capacity by the absorption of the European funds through the three investments.

On the other hand, the authors also used data from secondary sources or specific bibliography from Romania and abroad, statistical yearbooks publicly available nationally.

Both the data obtained in the analysis of the agricultural company and from the literature were processed and interpreted so as to highlight as relevant as possible the effect of absorbing European funds by farmers in general and by the studied agricultural company in particular.

## RESULTS AND DISCUSSIONS

The economic operator taken into study for the paper, being in the situation of the majority of the Romanian farmers of having insufficient or obsolete technical resources for the proper conduct of the agricultural business, made three major investments by submitting and implementing projects financed by EAFRD. The three investments were implemented within the time period 2012-2015.

Modernization of the machinery fleet by absorbing European funds consisted in 10 units of machinery and agricultural equipment including three tractors, a harvester combine, a self propelled sprayer and various auxiliary machinery (Table 1).

The total value of the three investments by financing projects is 2.926.566.16 lei, 658,395.08 Euro respectively (given the Euro/RON average exchange rate of 2015, according to The National Bank of Romania); of this amount, the agricultural company S.C. AGROMIXT SPINENI S.R.L. had its own financial contribution of 40%, 1,170,626.47 lei respectively, the difference of 60%, 1,755,939.69 lei being provided by the EAFRD European non-refundable funds.

Table 1

**Centralization of the agricultural machinery purchased and of the three financing projects values**

Project	Implementation period	Project title	Machinery purchased	Total project value excluding VAT
Project no. 1	February 2012 → September 2012	<i>Purchase of agricultural machinery for modernization of vegetable farm, Andrieșeni commune, Iași county</i>	FENDT Tractor 828 VARIO SCR – 280 HP	1,766,414.00 lei
			LEMKEN Semi-mounted reversible plow	
			EUROPAL 9 – 6 moldboards	
			FENDT 6275 Harvester combine L MCS – 260 HP, 9000 liter tank	
			GERINGHOFF PCA 670 Corn picker – 7 m working width	
Project no. 2	April 2013 → September 2013	<i>Tractor purchase for modernization of vegetable farm, Andrieșeni commune, Iași county</i>	KNOCHE TERRA DRT Combinatory 60 H-CK 500 – 6 meter work width	296,270.16 lei
			HORSCH PRONTO Cereal seeder 4 DC Starr – 4 meters work width	
			FENDT Tractor 313 VARIO SCR – 140 HP	
Project no. 3	July 2015 → November 2015	<i>Vegetable farm modernization through purchase of agricultural machinery in Andrieșeni commune, Iași county</i>	Valtra Tractor A93H – 93 HP	863,882.00 lei
			LEMKEN KORUND Combinator 8/600 by 8 lanes and 6 m working width	
			Agripla GD 2500 Sprayer with 2500 liter tank	
<b>TOTAL</b>				<b>2,926,566.16 lei</b>

The three investments had a decisive contribution to the modernization, increase of

technological level, productivity growth in correlation with the workload and the development

of technical progress of the vegetable farm S.C. AGROMIXT SPINENI S.R.L.

The investments were even more suitable through the light of the needs, weaknesses and challenges currently facing the agricultural sector at national level, in the context of the urgent need to align to the European equipment standards, productivity and efficiency.

The most important benefit obtained by the agricultural company taken into study was that it could enter the market of seed production.

Several large, multinational companies which are having activities also in Romania offer very convenient financial conditions for the farmers in the vegetable sector which have financial, labor and technical capacities for seed production.

Given the high level of precision within each campaign throughout the agricultural year, the seed can be only produced by farmers which have machinery with a high level of performance and the latest technology fitted.

Table 2

**Farming area and cultivated crops evolution of the in the agricultural company taken into study – ha**

Crop/year	2012	2013	2014	2015	2016
Corn	352.22	352.22	155.31	213.18	80.98
Wheat	183.06	183.06	153.96	116.85	219.73
Soy	50	50	34.81	82.01	31.50
Barley	0	0	67.89	54.24	43.23
Barley – II	6.6	6.6	2.09	11.56	0
Sunflower	189.14	188.95	141.24	150.67	114.01
Fodder plants	0	1.51	17.3	126.55	151.47
Rape	109.36	0	123.63	16.87	61.03
Seed lots – corn	0	97.95	185	185.00	250.08
Seed lots – sunflower	0	102	17.18	45.76	51.50
<i>TOTAL seed lots</i>		<i>199.95</i>	<i>202.18</i>	<i>230.76</i>	<i>301.58</i>
<b>TOTAL</b>	<b>889.75</b>	<b>982.29</b>	<b>933.41</b>	<b>1.002.69</b>	<b>1003.53</b>

As it can be seen from Table 2, of the total area of 1,098.56 ha of agricultural land, according to the farming area notification of APIA, the farming area of 1,003.53 ha is arable land, the difference being represented by permanent grassland, 85.30 ha and hybrid varieties of wineyard, 9.73 ha.

Due to the increase and modernization of the technical capacity through the acquisition of the 10 units of machinery, the company under the study took benefit of the opportunity of entering the seed production industry. Thus, as can be seen in Table 2, from 2013, the company has corn and sunflower seed lots, based on contracts with multinational companies in the field.

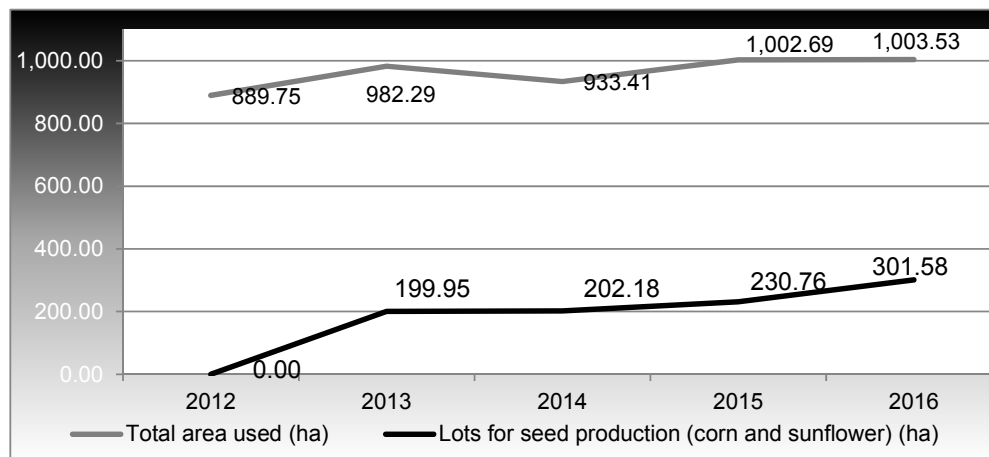


Figure 1 Total farming area evolution and seed lots area evolution (seed production)

As it can be seen in Table 2 and Figure 1, the total area of arable land is increasing every year. In addition, also the areas allocated for seed

production are continuously growing, this being possible due to the efficient production activity.

It is worth mentioning that seed production is the most profitable activity for the farmer for several reasons:

1. Multinational companies ensure the selling of the final product and provide buying contracts even before the start of the agricultural year, so farmers are assured of selling the seed production for a previously agreed price;

2. Despite that it requires a much greater degree of accuracy in performing every step in the agricultural campaigns, without any delay being admitted, the seed production is the most profitable activity for producers because the price offered for

the final product is significantly higher than the consumption production.

3. Producers who have the technical capacity to produce seed are offered by the multinational companies, also seed production buyers, the opportunity to sign a multi-annual contract in which it undertakes to produce for a longer period of years a certain quantity of seed, while the purchasing company undertakes to acquire all the seed production, at a previously agreed price. Thus, the farmer has a high predictability of his income and can increase his financial efficiency even further.

Table 3

**Turnover and profit evolution of the analyzed agricultural company**

Indicator/year	2012	2013	2014	2015	2016
Turnover	3,060,124	4,032,859	5,240,364	5,095,204	N/A
Profit	96,709	125,263	263,582	200,938	N/A

As can be seen from Table 3, since the development of the first investment of the three completed investments, the agricultural company had a constant increase in both turnover and profit. The factors that led to these results include better working conditions with the new machinery, their increased efficiency, substantial or total reduction of losses, a higher production of final products per ha. An exception to the trend shown in Table 3 is 2015, when, as it can be seen, turnover and profit suffered a decline. Yet, this decrease is due to the almost total lack of rainfall in the spring/summer of 2015 in the area of Andrieșeni commune, Iași county, where the company exploits its fields.

The management of the company intends to continue investing in equipment. They intend to develop financing projects on one hand, for a further modernization of the machinery fleet and on the other hand also for developing the irrigation infrastructure in order to cover a larger farming area. Thus, continuation of the upward trend of recent years can be estimated, namely an increase in both turnover and profit.

In terms of number of employees, it has increased simultaneously with the completion of the investments. The modernization of the machinery fleet provided a higher efficiency of labor, or fewer employees for the same production areas. However, the total area and especially the seed production lots has increased every year which required a higher number of employees.

The management intends to increase the areas dedicated to the seed lots in the following years in order to continue increasing the company competitiveness.

## CONCLUSIONS

- The agricultural company taken into study, S.C. AGROMIXT SPINENI S.R.L., conducted three investments using European funds between 2012 – 2015. The total value of these investments was 2,926,566.16 lei, of which 40% was the own contribution of the agricultural company and 1,755,939.69 lei, accounting for 60%, was the European contribution through EAFRD Program.
- One of the major benefits of modernizing and increasing the technical capacity of the company, through the acquisition of ten machinery (Table 1) is the opportunity of entering the seed production industry.
- Seed production is a far more profitable activity compared to consumption production, has a character of predictability of revenue and offers the possibility of subsequent development of the technological link.

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