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WHY THIS GUIDE

The Netherlands is the second largest exporter of agricultural products worldwide after USA, being the most efficient state in using the agricultural potential, although it has an area of 10 times smaller than that of Romania. Dutch government policy consists in supporting family farms and supporting farmers' cooperatives, and the production sector of milk and dairy products is based on cooperative structures.



Romania is one of the European countries with the highest potential in the agricultural sector, having the sixth largest agricultural area used among EU countries, but faces a very low yield of agricultural production, the causes including the fragmentation of lands, the lack of farmer training or low capitalization in agriculture.

The economic ties between the Netherlands and Romania represent one of the strengths of cooperation within NRCC (Romanian-Dutch Chamber of Commerce) and agriculture represents one of the priority sectors for both Romania as well as for the Netherlands. These reasons were the basis of the NRCC's management decision to establish a Task Force (working group) dedicated to this sector.

Our goal is to support the development of the agricultural sector and of cooperatives from Romania through expertise and access to good practice models from the Netherlands. A successful example in this respect is the company FrieslandCampina which is owned by a powerful cooperative of 20,000 farmers, and their products are distributed in over 100 countries worldwide. We believe it is a field with a fantastic development potential, but which still faces many challenges in Romania. On medium and long term, we focus on topics such as: cadaster, irrigation, financing through financial instruments and European funds, farmers training, as well as risk management in agriculture.

This Task Force has proposed to bring together the expertise of member companies from the NRCC community, expertise covering multiple fields of activity - from financial to banking, European funds and legal, to quality standards, insurances and production - and to use them in order to develop the cooperation and to capitalize the Romanian agricultural potential.

Through this guide, we want to address the farmer milk producer, being also a first project of this kind carried out by NRCC in Romania, meant to bring a contribution to the healthy and sustainable development of this sector. In the pages of this brochure, we have proposed to present as clearly and briefly as possible, relevant and extremely useful information, especially for small farmers or at the beginning of the road when they have to make choices, informed, fair and, in particular, appropriate for development needs.

Irina ZUGRAVU
NRCC Board Member
Coordinator of Agriculture Task Force
VAPRO Managing Partner

NRCC is one of the most active bilateral chambers from Romania, with over 190 members, Romanian and Dutch companies, from over 20 industries and cities such as Bucharest, Cluj, Brasov, Iasi and Constanta. In order to better represent the interests of its community, NRCC created three working groups dedicated to key industries: Agriculture, IT & C, Transport & Logistics. Through them, NRCC is an active member of the Romanian Development Coalition (CDR), a powerful platform for discussion between business and government representatives.

NRCC Task Force Agricultură



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RAW MILK QUALITY

The quality of the raw milk is the most important factor for obtaining superior quality finished products.



In Romania, a member country of the European Union, the raw milk quality is in alignment with EU standards and is regulated via several indicators with the help of which the level of the raw milk can be evaluated at a certain point, keeping

in consideration the fact that external factors can very rapidly influence the quality level.

So, the most important indicators that are traced are: Fat, Protein, Casein, Lactose, Non-fat dry substance, Ph., Freezing Point, Added water,

Inhibitory residues, Urea, SCC (Somatic cell count), TPC (Total plate count). These indicators are obtained by analyzing the samples in a laboratory after they have been taken from the milk cooling tanks.

How does the sampling process takes place?

The process of sampling is done by all the milk processors in the country with the frequency they choose. The sample is taken with a sterile syringe, out of the whole quantity of milk that is to be delivered by the small producer/farmer. The milk is homogenized and cooled to 4 degrees Celsius prior to the sampling. The sample is put in a sterile container, the preservative is added, and the lid is closed and then homogenized by flipping it 3-4 times. The sample is then taken to the laboratory in an isolated freezer box at the temperature of max 4 degrees Celsius. The sample taker is a certified sampler after completing a course, he must be dressed in white



clothing, wearing a cap and always washing his hands before sampling. The samples are then analyzed by certified personal in the factory labs. These laboratories must be accredited and fitted with

the necessary appliances in order to ensure the correct results. Another option is to analyze the samples at other independent laboratories which are authorized and accredited.

WHAT DOES EACH INDICATOR MEAN?

FAT is directly influenced by the level of ingestion of fibers in the feed ratio, and during the summer the decrease in fat can be corrected by adding magnesium or sodium bicarbonate in the feed ratio.

PROTEIN influences the quality of cheese, and the increase or decrease of the percentage is

obtained by adding of plants and/or seeds with high level of protein (like soy).

DRY MATTER is made up of fat, protein, lactose, mineral salts, vitamins etc.

P-H must be at 6.5 and indicates the level of freshness in milk. Values beneath 6.5 indicate

that the milk was kept in inadequate conditions or the time from milking to delivering was too long. Above 6.5 can be an indication that the milk is falsified or neutralized.

FREEZING POINT of cow raw milk is -0.525 degrees Celsius. If the freezing point is closer to zero it means that there is added water, and if it



goes lower it could mean that the milk is falsified with salt for example.

RESIDUE AND INHIBITORS like

antibiotics can be found in milk. Antibiotics may be determined in raw milk as a consequence to failure to comply with the withholding time of antibiotics recommended by the manufacturer. Milk from cows that are under treatment or from those that have finished and are in the withholding period must not be consumed.

DETERMINATIONS FOR RESIDUE, INHIBITORS ARE DONE FOR EVERY DELIVERY BY THE PROCESSOR. In the case

of residue or inhibitors the local veterinary authority is announced, the milk is refused by the processor and is to be destroyed. The truck that delivered the milk must be cleaned very thoroughly. The local veterinary authority will impose the necessary legal measures at the farm level.

UREA together with protein, from the determinations, expresses the degree of conversion of the ingested protein from feed. Normal values must be between 15-25mg/dl. Values under 15 mg indicate a deficit of raw protein in feed. Values above 25 mg

result as protein surplus energy deficit in the feed ratio and can lead to sickening of the animals.

SOMATIC CELL COUNT (SCC) must be in

accordance with the EU conformity standards and must not exceed 400.000/ml. Sick, stressed, old animals or that are at the end of the lactating period, or that have more than 4 parturitions are prone to exceed the conformity standards. The higher values of SCC can also be correlated with faulty milking machines, inadequate hygiene of the barn, milking parlor or storage area. The milking staff must maintain a



proper hygiene level at all times.

TOTAL PLATE COUNT (TPC) by geometric mean is 100.000/ml at farm level and 300.000/ ml at factory level. Poor hygiene is the main factor for exceeding these values. Overall hygiene in the barn, the milking parlor, of staff and of the animals must be closely monitored and kept perfect in order to maintain high quality milk. Using good quality filters and detergents can improve the hygiene. TPC is also influenced by storing the milk in poor conditions and at a



temperature higher than 4 degrees.

Exceeding the maximum values of TPC and/or SCC leads to the notification of the producer/farmer and also the local

veterinary authority. The authority will dispose the necessary measures in that specific case.

*Material provided by
FrieslandCamping Romania*

All of the above mentioned indicators are directly influenced by the next three important aspects:

- 1. Health status of the animal*
- 2. The quality of the feeding*
- 3. Hygiene*

Very important to repeat: The quality of the raw milk is the main factor for obtaining high quality products!





STANDARDS

& CERTIFICATIONS

GLOBALG.A.P certification

Individual Farm Certification / Farm Associations / Vegetable Farm / Animal Farm / Aquaculture

GLOBALG.A.P. is an internationally recognized standard for agricultural production, being the result of several years of intensive research and collaboration with industry experts, manufacturers and

retailers around the world. The aim is that safe and sustainable agricultural production is to the advantage of farmers, traders and consumers everywhere.

GLOBALG.A.P. is more than a certificate. It is a vision of sustainable global agricultural production through its tools, programs and partners.

Scope

Improving safety and sustainability means greater market access for producers, secure products for retailers and consumers, more sustainable

production systems for governments, and greater business opportunities for service providers. The GLOBALG.A.P standard calls, among

other things, for greater efficiency in production. It improves business performance and reduces the waste of vital resources.

GLOBALG.A.P. certifications cover up:

- > Food safety and traceability
- > Environment (including biodiversity)
- > Health, safety and welfare of workers
- > Welfare of animals

- > Including Integrated Crop Management (ICM), Integrated Pest Control (CPI), Quality Management System (QMS), Critical Control Point (HACCP) Analysis.

- > GLOBALG.A.P. calls for a general approach to agricultural production, which leads to the development of best practices for future generations.

IFS “International Featured Standards”

set of standards initially developed to ensure the quality and safety of products made under the private brand of large retail chains.

THE IFS FOOD STANDARD first edition was issued in 2003, when

there was no ISO 22000 and only ISO 9001 & HACCP certifications,

was originally developed by the large German and French retail chains for

“private label” products. It is currently the “best passport” for EXPORT.

THE IFS FOOD

STANDARD is a recognized standard for the Global Food Safety Initiative (GFSI) Foods Audit. The emphasis is on food safety and the quality of processes and products. It refers to food processing companies and companies

that pack free food. IFS Food applies when products are “processed” or when there is a risk of product contamination during primary packaging. The standard is important for all food producers, especially for those who produce under private labels, because it contains many requirements for meeting customer

specifications. The Standard supports production and marketing departments in their efforts for brand safety and quality. IFS Food standard has been developed with the full and active involvement of certification bodies, retailers, food industry and food service companies.

Purpose:

THE FOOD STANDARD

IFS FOOD is used to control food manufacturers in terms of food safety and the quality of processes and products. The list of requirements is organized in

the following topics:

- > Top management responsibility
- > Quality and safety management system
- > Resources management

- > Planning and production process
- > Measurements, analyzes, improvements
- > Food Defence
- > Food Fraud

Objectives:

- > To establish a common standard with a uniform assessment system
- > To work with accredited certification bodies and

qualified auditors approved for IFS Food,

- > To ensure comparability and transparency throughout the entire supply

- chain,
- > To reduce costs and time for both manufacturers and retailers.

Benefits:

IFS Food certification can offer a number of key benefits to companies that strive to excel in quality, food safety and customer satisfaction and seek a competitive edge on their market.

Benefits of the production department:

- > Improve understanding between management and staff on good practices, standards and procedures,

- > Monitoring compliance with food regulations,
- > More efficient use of resources,
- > Reducing the need for client audit,
- > Independent audits of third parties,
- > Greater flexibility through individual implementation due to a risk-based approach.

Benefits of the marketing department:

- > Improve the reputation of the company as a producer of high quality and safe products
- > Ability to trade with customers requiring third party audits
- > Using the IFS logo and certificate to demonstrate compliance with the highest standards.



NON-REFUNDABLE

FINANCING

A. For setting up milk and processing farms

 Financing line: National Rural Development Programme (NRDP) subMeasure 4.1. – Investments in Denumire linie de finanțare: PNDR - SubMeasure 4.1 – Investments in agricultural holdings, ZOOTECHNIC component;

Who can access the grant:

- > farmers organized as: registered sole trader, individual enterprise, family enterprise, limited liability company, joint stock company, partnerships, limited partnership company, limited partnerships with share capital;
- > agricultural companies, agricultural cooperatives, producer groups;
- > research and development institutes, composers, municipalities and other forms of associative ownership of land (referred to in Law No. 1/2000).

More than 51% of the grant received must be used for the following types of investment:

- > Establishment / extension / modernization of farms (eg construction, extension, upgrading and equipping farm buildings for production activities);
- > purchase, including financial leasing of machinery and new equipment.

A maximum of 49% of the grant received may be used to:

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> > processing of products at farm level - at least 70% of processed raw materials must come from their own farm; > investment in marketing (via farm gateways or “(car caravans”); > establishment / | <ul style="list-style-type: none"> modernization of access ways in the farm, connection of the farm to utilities; > Investments in intangible assets: software, patents, licenses, etc.; > investments in installations to produce | <ul style="list-style-type: none"> electric and / or thermal energy, using biomass; > Investments in the production and use of energy from renewable sources, except for biomass; > consultancy, design and management. |
|--|---|--|

The non-reimbursable funding covers **50%** of the eligible project value (for farms with a size up to 1,000,000 SO (Standard

output - automatically calculated by size of farm heads) and 30% of the eligible project value (in the case of farms with a size

above 1,000,000 SO) and will not exceed the following thresholds:
> € 500,000 - for projects providing only simple

purchases (€ 100,000 for small farms (up to 12,000 SO);

- > € 1,500,000 - for construction-assembly projects (300,000 euros for small farms);
- > € 2,000,000 - for an integrated food chain

(investment in primary production and processing OR investment in primary agricultural production - processing - marketing) and € 400,000 for small farms.

Funding can grow up to 90% (for farms up to 250,000

SO), up to 70% (for farms up to 1,000,000 SO) and up to 50% (for farms over 1,000,000 SO) under certain conditions: for investments made by a young farmer, for investments in agri-environment and organic agriculture etc.

B. For milk processing



Financing line: National Rural Development Programme (NRDP) subMeasure 4.2. – Investments for processing/marketing of agricultural products (products from Annex 1, such as: milk and dairy), and NRDP Submeasure 4.2. – State aid scheme (products not found in Annex 1, such as: ice cream, powdered milk, etc.);

Who can access the grant:

- > Enterprises (SMEs and large enterprises);
- > cooperatives and producer groups (excluded from the State aid scheme).

Expenses that can be financed:

- > construction for a stage or the entire technological flow;
- > Purchase, including leasing, of new machinery, equipment, and specialized means of transport;
- > expenses related to the marketing of the obtained products;
- > organizing and implementing quality management and food safety systems;
- > consulting, design and management.

Under Submeasure 4.2, funding will not exceed 50% of the total cost of eligible expenditure (for SMEs and cooperatives) and 40% (for large companies), while under the State aid scheme it varies from 5% to 50%, depending on the type of company and the implementation region.

In all the above cases, the funding is maximum:

- > € 1,000,000 for SMEs for non-investment projects leading to an integrated food chain (collection, conditioning, processing, storage and direct marketing);
- > € 1,500,000 for large enterprises, for projects that do not involve investments leading to an integrated food chain;
- > € 2,500,000 for

investments leading to an integrated food chain (irrespective of the type of applicant) as well as for associative forms (cooperatives and producer groups - for projects that do not involve investments leading to an integrated food chain)

*Material provided by
VAPRO România*



BANK

LOANS

Raiffeisen Bank is a top universal bank on the Romanian market, offering a full range of high quality products and services to individuals, SMEs and large corporations through multiple distribution channels: bank units, ATMs and EPOS networks, telephone banking (Raiffeisen Direct), mobile banking (Raiffeisen Smart Mobile) and internet

banking (Raiffeisen Online)*. In terms of financing SMEs operating in primary agriculture, given the strong seasonality of this activity, the bank has a number of specific financing products to help farmers. These products are addressed to farmers, regardless of the form of organization (LLCs, IIs,

PFAs, etc.), that meet the following minimum criteria: area of at least 80 ha, at least 2 cultures, minimum 3 years in the field. As far as the financing of SMEs in animal husbandry is concerned, these activities are financed by the standard products of the bank (capital loans, investment credits, etc.)

A.1. Short-term loan to cover the need for working capital in agriculture

Product benefits

- > flexible rates of capital related to the agricultural cycle
- > meeting the financing needs determined by the seasonal activity cycles, avoiding the interruption of the activity
- > using the amounts of the capital loan in agriculture in a way adapted to the agricultural activity

Product features

Minimum amount: € 7,000 (the loan is exclusively granted in RON)
Withdrawals: single or multiple
Repayment period: 18 months, with possibility to reuse and extend maturity

date
Use: up to 20% of the limit does not require supporting documents
Use period: 6 months
Currency: RON
Guarantees: mix of guarantees including

land, real estate and / or guarantee funds, equipment, equipment, mortgage on current accounts, personal pledge, in accordance with the bank's regulations.

Material provided by Raiffeisen Bank



A.2. Financing of agricultural subsidies APIA

Product benefits

- > Optimization of liquidity flow
- > Simplified lending based on the Farmer Registration Certificate issued by APIA
- > Short-term financing without additional guarantees

Product features

Short-term facility, covering up to 80% of the amounts to be collected from APIA

Reimbursement: at the time of receiving the grant

from APIA

Guarantees: assignment of receivables related to APIA subsidies, according to the Farmer Registration

Certificate; mortgage on available funds from the current accounts of the beneficiary opened with Raiffeisen Bank

B. Financing of investments

Product benefits

- > multiple purpose: durable goods, equipment or real estate purchases and repairs
- > the maximum repayment period of 120 months, the 6 months grace period
- > comfort: financing is guaranteed even with the object of the investment

Product features

Minimum amount: € 7,000 or the equivalent in RON

The type of draws: single or multiple

Reimbursement period: maximum 120 months

Reimbursement method: related rates

Advance: minimum 10%

Currency: RON, Euro

Guarantees: Mix of collateral including

mortgage on current accounts, securities, real estate / real estate collateral, in accordance with the bank's regulations

C. European Guarantee Program COSME (EIF)*



Product benefits

- > much easier access to funding through European Guarantee programs
- > guarantee up to 50% of the loan
- > zero guarantee fee for the guarantee obtained through the COSME program

Product features

Loans with low guarantee requirements, for investments or working capital / current expenses

The Minimum amount: 25 000 RON, the maximum

amount: 675 000 RON

The maximum duration: 36 months (working capital) or 120 months (investments)

Guarantees: - 50% of the credit value is the

COSME guarantee - other guarantees under the bank's internal rules, the value of which is below the level required by the bank for a standard credit

* The funding is provided through the Guarantee made available by COSME and by the European Fund for Strategic Investments ("FEIS") established under the European Investment Plan. The purpose of the FEIS is to support the financing and implementation of productive investments within the European Union and, respectively, to increase access to finance.

* mai multe detalii pe raiffeisen.ro



CREDITARE

IFN

FACTORING

Does a dairy farm need financing? Of course. Like any other business, but with its own specificity. The cows must be fed, staff must be paid, equipment must be maintained and repaired, milk stored and transported to customers.

How to get the funding you need?

The classic method is to request a credit.

But there is a faster option: factoring.

To whom is factoring useful?

- > To new farms that do not have sufficient development capital and may have difficulties in obtaining bank credit, given the lack of payment history.
- > To farms that have reached the maximum limit of bank lending but can access their financing through factoring without increasing their indebtedness and without diminishing their turnover through the bank.
- > To farms that are not satisfied with the collateral their credit lines with fixed assets and want a guarantee with their own activity can finance their current activity through factoring.
- > Farms that just want to explore the possibilities offered by other types of financing than those that they already have at hand can turn to the factoring product.

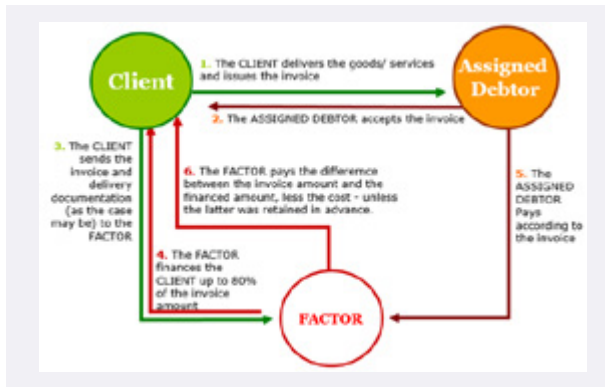
Factoring may be:

- > **With recourse**, where the Farm financed guarantees collection of the payments at maturity, it benefits only from financing, not from covering the risk of default;
- > **Without recourse**, in which case the Farm is exempted from risk, not having to return the money if the buyer of the milk does not pay at maturity.

What is factoring and how does it work?

By factoring, invoices issued by the farm and accepted by its client companies, and paid at a certain maturity, can be immediately converted into money by the farm that issues them. So there is no need to wait 45 days or even 90 days to collect the money because you can obtain the respective amounts immediately through factoring. This type of funding makes the farm not dependent on the collection of the invoices and to be able to develop its production in a sustainable way.

A simplified chart of financing through factoring looks as follows:



Which are the eligibility criteria for obtaining factoring from AFS?

The reason for our existence is to find solutions for the client, not to set criteria that impede or obstruct funding opportunities. However, here are some considerations that might help you:

- > There is no need for real estate collateral, but for term invoices accepted by corporate clients;
- > If customers you sell to at term have a high credit score, your business does not necessarily have to be very strong;
- > If your business is creditworthy, you can have less powerful financial customers;
- > It is helpful to have more than one or few clients (risk spreading);
- > A good record with your customers about sales and earnings is always helpful;
- > Any case is being considered on its merits, so please contact us anyway. Our answer will be very fast.

*Material provided by
AFS România*

Who are the participants to factoring?

- > The customer - farm - is also named Adherent or CLIENT. He is the issuer of the invoices that will be collected at maturity and the one who needs financing.
- > The client of the farm is the ASSIGNED DEBTOR, who accepts the invoices, thus confirming the due receipt of the goods, and who has the obligation to pay in due time.
- > The financer is called FACTOR. He purchases the receivables (the right to collect the invoice amounts) from the Adherent/ CLIENT and finances the latter.

What are you getting from factoring from AFS?

- > 80% of the value of invoices issued and not yet collected. The percentage may vary depending on the risk.
- > Funding through a simple and fast procedure within 48 hours.
- > Analyzing your customers by a specialized institution, thus reducing the risk of non-recovery of the value of the sold goods.
- > A flexible and fast way to increase your working capital without increasing your indebtedness.
 - > In the case of non-recourse factoring - eliminating the concerns on collecting invoices.
- > Consultancy for financing - professional, confidential and friendly.



ACCOUNTING

AND FISCAL ASPECTS

MILK AND FISCAL COVER FERTILIZERS

Accounting regulations

Specific regulations for dairy cow breeding, raised cows for calves and calves were introduced only as of 2015.

Companies can establish, through internally-approved accounting policies, the way in which

accounting records will be made, how to set the keys distribution of indirect costs of production, the way of estimating growth rate by animal categories, the method of determining technological losses, etc., but this also

has implications for the taxable base, and the control bodies may not accept the unfounded policy.

Amortization period

The accounting amortization period may be determined by the company according to the useful life (the period in which the animal is considered to benefit the company). The fiscal

amortization period may be chosen by the company, but it must be between 5 and 9 years - this tax period is far too long compared to the useful life and an update of the catalog approved

by H.G. no. 2139/2004; a lifetime closer to the economic reality for dairy cows would be between 3 and 4 years.

Subsidies, insurance and cost production calculation

The farmers are confronted with uncertainties each year about the number of subsidies and the date they will be collected; this has major implications both for the amount of

income recognized at the balance sheet date and for the determination of the tax base for the income tax (there is no unitary practice of how such subsidies should be recognized at the balance



sheet date). Insurance does not cover many of the usual causes of death in dairy cows, and some tax inspectorates demand proof of receipt of compensation for the animals being disposed of, which is, in my view, incorrect; the Fiscal Code only provides for the need for animals to have been insured, not for

the obligation to recover damages. If the animal feed is made from its own plant production, if the post-calculation of feed production costs is only made at the end of the year, the milk production cost may differ significantly from what was established during the year. Establishing growth

rates for calves by age group is rather difficult because it is necessary to establish weight gain and production costs for each category, and this can only be done with a detailed record of categories production costs (feed, medication, etc.).

Lease contracts

Many farms have leased the land needed to provide feed and the fragmentation of the agricultural land owned by many individuals makes it very difficult to manage the records of lease contracts, lease rents to be accounted for in the accounting, income tax and insurance contributions health to be

recorded and declared on each lessee. If the rent is paid in kind, the administrative effort also increases by requiring the issue of a sales invoice on behalf of each tenant who has been given agricultural products on lease; these invoices must also be declared in the information notice

on deliveries, supplies and purchases made on national territory (code 394).



Taxes

The tax base for calculating the income tax differs from the one for determining the value added tax collected for the lease paid in kind. For simplicity, it would be necessary to amend tax legislation by

unifying tax bases and removing the obligation to declare these invoices in statement 394. No building tax is levied on forage silos, and for buildings used for agricultural activities the building tax is calculated

by applying a 0,4% share of the taxable value of the building.

*Material provided by
TPA România*



LEGAL

ASPECTS

Good farm practices: land use

The legal aspects of a certain recurrence in the case of cattle breeders are numerous, given the complexity of the field, so we have proposed a general approach, starting from a statement in June 2017 of a breeder: *"... It is cost-effective to raise dairy cows if you produce your own fodder and if you do not outsource agricultural services, ie if you produce yourself without help."*

So, in order, to grow, a farmer needs land to exploit to provide the necessary animal feed. In practice, there are two main legal ways in which land can be exploited: by acquiring ownership of it or by using it for rent

LOST LANDS IN PROPERTY

The current legal situation

Currently, the rule is that land sale / purchase is only possible if they are cadastre and ownership is tabulated in the Land Registry. After finalizing (and completing) the cadastral works for each

administrative-territorial unit and opening, on request *ex officio*, the Land Registry for the respective buildings, the registration in the Land Registry of the ownership right over the buildings

has the constitutive effect of property rights and not only opposable to third parties

Proposals of good practices

When purchasing agricultural land for forage / grazing / livestock production, particular attention must be offer to the following:

- > complying with the mandatory procedures set out in Law 17/2014 on the sale and purchase of agricultural land located outside the country. This normative act establishes the right of pre-emption of co-owners, lessees, old owners and state, through ADS, in this order, on the extrajuridical agricultural land being sold; it is also mandatory under certain conditions to request and obtain sales notices from various authorities (MAPN, Ministry of Culture, etc.)
- > the conclusion of a purchase contract in authenticated form by the notary public; this form is mandatory for the valid transmission of ownership of the land, from the seller, to the buyer, and for the registration of the ownership of the land, on behalf of the buyer;

> tabulating in the Land Registry of the buyer-farmer's ownership right over the land; the public notary has the obligation to request the registration immediately
- after the authentication of the sale-purchase contract;

> carrying out a legal analysis on how the seller acquires ownership of the purchased land. This analysis, which is not mandatory under the law, aims at highlighting the possible legal risks arising from the acquisition of land, as well as proposing solutions to remove / mitigate them.

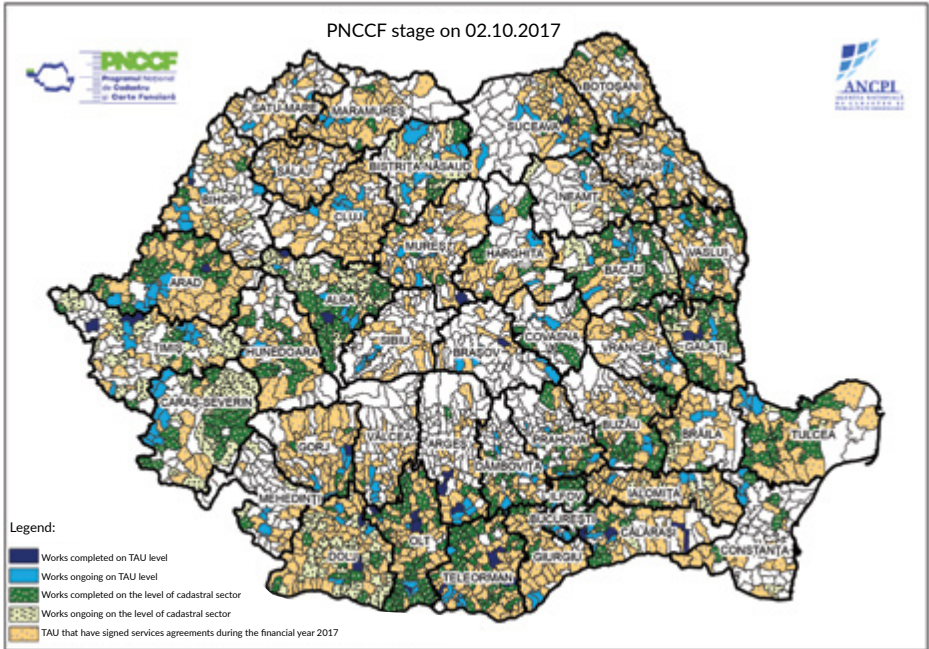
LANDS USED IN LEASE

The current legal situation

The degree of tabulation and cadaster of agricultural land in the Land Registry is reduced, as is the case with the merger. So, farmers only work in low proportions on the property titles, which leads to uncertainty and limitation of prospects in exploitation. The agricultural and rural development policies adopted by the authorities (ex. HG 53/29.06.2017) include the state cadaster of agricultural land by

2020. Of the total of 3,181 administrative units in Romania, in March 2017 they had been completed systematic registration works in 261 territorial administrative units UAT-uri. At that time, systematic registration work was under way in 825 administrative units. Out of the 825 territorial administrative units where such cadastral works were in progress, work was done in 689 on cadastral

sectors, not on the entire commune, according to OUG 35/2016. Although cadastral work is ongoing, there is still no legislative framework for land consolidation and cadastre. Therefore, for the merging of land and thus the creation of unitary holdings, new legal steps must be taken later.



Proposals of good practices

Until clarification of the legal aspects mentioned above, it is important for a proper securing of agricultural holdings to take a number of measures, such as:

- > the signing of the contracts by the lessors who have the right to conclude such documents; preferring to request and keep a copy of the property title in the file and verify that the name of the contract signatory appears in that title or, where applicable, in the

certificate of succession;

- > the verification of the identity between the contract holders and the persons signing the respective contracts; request and keep a copy of the signatory's identity document. If the signer is not the owner of the contract, he / she must present a mandate from the holder, which you can keep in the file. It is preferable to register the lease contract with the Local Council, even if the Civil Law no longer

imposes this formality for the validity of the lease contract;

- > give the lessee an original copy of the contract and make sure he signs the receipt; identify the land in the contract, by reference to the title of ownership, land and plot, as provided in the title of ownership; otherwise, it can be considered that the object of the lease is not determined, which may lead to the nullity of the lease.

This material provides general and non-exhaustive information, does not represent, nor replace the legal speciality assistance.

Legislation in force applicable to the establishment of a zootechnical farm

A. General legislation on the establishment of the legal entity:

- a. Law no. 31/1990 on companies
- b. Law no. 566/2004 regarding agricultural cooperative

B. Specific legislation applicable to establishments that produce, process, store, transport and / or distribute products of animal origin:

- a. Constructions: Law no. 50/1991 regarding authorization of the execution of construction works
- b. Environment: Decision no. 445 of 2009 regarding the assessment of the impact of certain public and private projects on the environment:
- c. Public health: Decree no. 119/2014: Norm of February 4, 2014 on hygiene and public health regarding the living environment of the population
- d. Sanitary veterinary authorization:
 1. Council Regulation (EC) no. 853/2004 of the European Parliament and of the Council - specific hygiene norms for food of animal origin;
 2. Council Regulation (EC) no. 882/2004 of the European Parliament and of the Council - the official controls to ensure verification of compliance with the legislation concerning feed and food and animal health and animal welfare rules;
 3. Council Regulation (EC) no. 178/2002/EC - establishing the principles and general requirements of food law, for establishing the European Food Safety Authority and for laying down procedures in matters of food safety;
 4. Council Regulation (EC) no. 854/2004 of the European Parliament and of the Council - establishing the specific rules for the organization of official controls on products of animal origin intended for human consumption;
 5. Order of the President of The National Sanitary Veterinary and Food Safety Authority ("ANSVSA") no. 57 of June 24, 2010 - the procedure of veterinary sanitary authorization of the establishments that produce, process, store, transport and / or distribute products of animal origin;
 6. ORDER no. 10 of February 18, 2008 - the procedure for veterinary certification and veterinary certification of fresh meat and marking of products of animal origin intended for human consumption;
 7. Order of the President of ANSVSA no. 125 / 02.06.2006 - the certification of animals and products of animal origin;
 8. Order of the President of ANSVSA no. 206 / 2006 - the principles governing the organization of veterinary checks on products entering the European Community



from third countries, amended and completed by the Order of the President of ANSVSA no. 82/2008;

9. Order of the President of ANSVSA no. 252/17.10.2006 - the veterinary legislation detailed rules on the transit through the European Community only by road from a third country to another third country of products of animal origin;
10. Order of the President of ANSVSA no. 199 / 24.08.2006 - the prohibition of the use of substances with hormonal or thyrostatic action and of the bataagonists in the breeding of farm animals;
11. Order of the President of ANSVSA no. 63 / 07.03.2007 - the animal health rules regulating the production, processing, distribution and introduction of products of animal origin destined for human consumption;
12. Order of the President of ANSVSA no. 64 / 08.03.2007 - the organization and carrying out of the official veterinary-veterinary inspection carried out by the specialized personnel in the establishments producing food of animal origin;
13. Order of the President of ANSVSA no. 95 / 02.04.2007 - the monitoring and control measures of certain substances and their residues in live animals and products of animal origin;
14. Order of the President of ANSVSA no. 61 / 13.03.2006 - the animal health problems affecting intra-Community trade in animals of bovine and swine species;
15. Council Regulation (EC) no. 2073/2005 of the European Parliament and of the Council on microbiological criteria for food;
16. Council Regulation (EC) no. 2074/2005 - the implementing measures for certain products covered by Regulation (EC) no. 853/2004 of the European Parliament and of the Council;
17. Council Regulation (EC) no. 999/2001 of the European Parliament and of the Council - rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies forms;
18. Council Regulation (EC) no. 1760/2000 of the European Parliament and of the Council - establishing a system for the identification and registration of bovine animals and regarding the labeling of beef and beef products;
19. Dir. Cons. 92/118 / EC establishing the animal and public health conditions governing trade in and imports into the Community of products;
20. Commission Decision 2007/27 / EC - transitional measures for the supply of raw milk to establishments processing and processing this raw milk in Romania, taking into account the requirements of Regulations (EC) no. 852/2004 and no. 853/2004 of the European Parliament and of the Council;
21. Sanitary veterinary Norm of August 15, 2005 regarding the protection of farm animals.

C. Legislation regarding the veterinary registration and food safety of the production activities for the direct and / or retail sale of food of animal origin:

1. Council Regulation (EC) 178/2002 / EC - establishing the principles and general requirements of food law, establishing the European Food Safety Authority and establishing procedures in matters of food safety;
2. Council Regulation (EC) no. 852/2004 of the European Parliament and of the Council - regarding the hygiene of foodstuffs;
3. Council Regulation (EC) no. 853/2004 of the European Parliament and of the Council - specific hygiene rules for food of animal origin;
4. Council Regulation (EC) no. 854/2004 of the European Parliament and of the Council - the organization of official controls on products of animal origin intended for human consumption;
5. Order of ANSVSA/2008 - the procedure for veterinary registration and food safety of the production and the direct and / or retail sale of food of animal or non-animal origin, as well as the production, processing, storage, transport and marketing of food products of non-animal origin;
6. Council Regulation (EC) no. 1760/2000 of the European Parliament and of the Council - the identification and registration system of bovine animals and regarding the labeling of beef and veal and beef and veal products;
7. Regulation of the European Parliament and of the Council no. 1774/2002/EC - health rules concerning animal by - products not intended for human consumption;
8. Council Regulation (EC) no. 2073/2005 of the European Parliament and of the Council - the microbiological criteria for food, as amended by Regulation (EC) no. 1441/2007;
9. Directive 2000/13 of the European Parliament and of the Council - the labeling, presentation and advertising of foodstuffs.

D. Legislation on zoonoses

1. Directive 2003/99/EC of the European Parliament and of the Council - monitoring of zoonoses and zoonotic agents;
3. Order of ANSVSA/2006 - monitoring of zoonoses and zoonotic agents;
4. Order 772/68/859/442/2005 - the Rapid Alert System for Food and Feed;
5. Council Regulation (EC) no. 2160/2003 - the control of salmonella and other specified zoonotic agents present in the food chain;
6. Council Regulation (EC) no. 2073/2005 of the European Parliament and of the Council - the microbiological criteria for food;
7. Decision 470/2009/EC - certain expenditures in the veterinary field.



RISK

MANAGEMENT

1. Types of industry-specific insurance

THE INSURANCE FOR MATERIAL DAMAGE

The Insurer is the one who compensates for the direct material losses suffered by the Insured, caused by the risks specifically mentioned in the insurance policy.

SUBJECT OF INSURANCE

> the buildings and other constructions designed for economic or social activities, which are assured in their entirety constructive. Other installations /

constructions (eg thermal power plant, fencing, concrete platforms, ramps, etc.) can be provided with their express mention in the policy;

- > the content, according to the purpose or the type of activities carried out:
 - a) fixed assets - machinery, equipment, technical and technological installations, tools, control and control apparatus, technological lines and

electric cables serving machines, equipments, motors and the like, telecommunication installations, radio-TV, furniture, office equipment etc;

b) circulating means - goods in warehouses and shops, raw materials and materials, semi-finished goods, finished products on the manufacturing stream or in the warehouses etc.

B) LOSSES FROM INTERRUPTION OF ACTIVITY (BI)

The entitlement to discontinuance of activity compensates for the loss of profit, the additional expenses for restoring the activity (eventually also the expenses for the expertise of the damage), which arise as a consequence of event covered by an insurance policy.

The purpose of this type of insurance is to bring the insured company in the situation it would have been, if the event that stopped the activity would not have occurred.

SUBJECT OF INSURANCE

> the compensation is granted if the activity

is interrupted due to an event that is covered by insurance policies at the time of production and results in a material loss;

> this type of insurance has two main elements: the insured amount and the maximum withdrawal period:

- > the insured

amount is calculated according to a complex calculation formula, which may differ from one insurer to another;

- > the period of inducement is the maximum period at the end of which the company operates at normal capacity. This is the period during which damages can be granted;

- > BI insurance is an extension of the material damage policy. Thus, it may appear as an extension to the material damage policy, the electronic equipment policy, accidental damage policy;

- > may also be in the form of "additional operating costs", a form

of insurance created for non-productive companies;

- > a variant of this insurance is the interruption of the business due to the loss of a strategic supplier / customer (Contingent Business Interruption).

C) INSURANCE OF ACCIDENTAL AVAILABILITY

Assurance of accidental damage involves a variety of risks and was designed to compensate the policyholder for accidental and unforeseen damage to electrical and mechanical equipment as a result of the action of internal and external factors. The cover of such insurance can be tailored to the needs of each insured, analyzing in detail the work carried out and other factors that can influence the risk conditions.

From a technical point of view, accidental injury is a malfunction, but it is assured only when it is accidental, unexpired or unforeseen and involves total or partial failure of the equipment.

If the material protection policy protects the equipment against the action of external factors (eg explosion, earthquake,

flood, fire, theft, fire, body failure), the accidental damage policy provides protection against internal factors (eg short circuit, overload, power surge). Internal malfunctions must be sudden / accidental and unforeseen.

Assured Goods

- > goods: machines, machine tools, machinery, equipment, aggregates, motors, installations or technological lines, any other goods assimilated to them (the mechanical components must predominate in the construction of the equipment);

- > the spare assets, which have passed the tests for putting into service;

- > at the time of the insurance, they will be operational in accordance

with the purpose for which they were produced.

Additional costs that can be compensated

- > expenditure on customs duties, excise duties and other taxes on imports of equipment or parts thereof;

- > transport expenses incurred with the repair of damaged parts, purchase of a new good or parts thereof, design expenditure;

- > cleaning costs of the place;

- > expenses related to the intervention of specialized units or the use of special equipment in case of damage.



D) INSURANCE OF CIVIL LIABILITY TO THIRD PARTIES

Under this policy, damages are awarded for the following damages, the production of which the insured - legal person is liable under the law, to third parties injured:

a) bodily injuries suffered by a third person and which, as a result of temporary incapacity for work, invalidity or death, have caused financial damages, including the loss of part or all of an income if such damage is a direct consequence of the occurrence of the injury body;

b) material damage (damage to property) consisting in damage or destruction of a good or injury to an animal.

Compensation includes the amounts that the insured-legal person is required by law to pay to third parties injured as a result of their own fault, as well as the fault of their offenders, bodily injuries and / or

damage to third party goods. If the damage is not repaired amiably, the costs incurred by the insured and the third party harmed in the civil proceedings shall be compensated if found guilty of the damage. In addition to Coverage from the Third Party Liability Policy, it is recommended to extend it by including additional coverings such as:

- > insurance of the employer's civil liability
- > liability insurance of the tenant to the owner
- > liability insurance for accidental pollution
- > insurance the manufacturer is responsible

In particular, we detail below the Civil Liability of the Manufacturer:

The insurer covers the cash loss that the Insured should bear for damage caused accidentally by a

product or in connection with a product made by the Insured that is the subject of its business and which has been defective in causing damage to its beneficiary. Compensation is also paid for the costs incurred by the injured person and the insured person in the civil process. The term "product" means any immovable or mobile manufactured, manufactured, built, repaired, installed, processed, modified, maintained, tested, sold, supplied or distributed by the Insured (including packaging and labeling) finds himself in the Insured's possession at the time of the insured event.

E) ANIMAL INSURANCE

For any producer / farmer it is important to continue the activity and to get rich productions or healthy animals. Often, however, nature's whims, as well as other industry-specific risks, can affect the proper functioning of the farm, but above all continuity of activity and compliance with contractual obligations with partners.

Through insurance can protect:

- > crops: grain crops; technical plants; vegetable and potato

crops; medicinal and aromatic plants; fodder crops; the fruit of the vineyards, the fruit trees and the hops;

- > greenhouses and greenhouse crops;
- > forests;
- > animals: cattle and buffaloes, horses and mule, sheep, goats, pigs;
- > birds: hens, geese, ostriches, ducks, turkeys, pheasants.

The usual risks covered by the animal insurance policies are:

- > fire, lightning, explosion, body fall,

earthquake, flood, storm, hurricane, hail, vandalism, terrorism, strikes and civil disturbances, collapsing / slipping, snow and / or ice weight, avalanche, pipelines, strikes by vehicles (other than those of the Insured), theft and theft of attempted theft;

- > accidents: injuries / injuries, asphyxia, insolation, distress etc. ;
- > medical, obstetrical and surgical diseases with noninfectious or parasitic etiology.

2. SPECIAL INSURANCE PRODUCTS, DEDICATED TO ANIMAL GROWTH FARMS

For livestock farms complete insurance solutions have been created. These solutions cover a wide range of risks and provide the farmer with complete protection by covering both the basic risks (natural phenomena, fire, floods, etc.) but also the specific risks of each farmer such as:

- > type of insurance „All Risks” for animal mortality as a result of general risks, accidents,

illnesses (eg blue tongue, swine fever, bovine foot, foot and mouth, etc.), accidental damage to farm equipment or disruption of utilities, stress caused by heat, theft;

- > insurance the slaughtering of animals as a result of a government directive;

- > insurance of financial losses as a result of insured risk;

- > insurance of animals or products during transportation, including covers such as:
 - > quarantine before boarding;
 - > transit period (sea, air, road, rail);
 - > (depending on country specific destination).

*Material provided by
Marsh România*



WATCH OUT, FARMERS!

EUROPE WANTS YOU TO BECOME ENTREPRENEURS



Until 2020, we are still benefiting from the stable income provided by the European Commission via its Common Agricultural Policy (CAP) meant to support Agriculture and Rural Development. But what happens after 2020, taking into account the changing economic circumstances and citizens' requirements and needs?

Well, we start preparing. Experienced analysts, specialized in EU policies, have announced a major shift: from the Producing Farmer to the Enterprising Farmer.

Agri-entrepreneurs acquire new skills to become more competitive, they focus on innovation by using the latest technologies meant to improve output and

production quality, while developing and delivering products with high added value. A recent report conducted by the European Commission includes short term forecasts of the agricultural market and shows that the UE is home for 23 million cows and the milk is the most important merchandise produced in the continent,

representing around 15% from the entire agricultural production. Countries like The Netherlands, Germany, France and Italy are controlling the market, for 2017 – 2018 being estimated a higher production, the most relevant increase being expected for processed products like cheese and butter.

Money available for the European enterprising farmers

Measure 4.2 supports investments in processing / marketing of agricultural products, existing or newly registered agricultural holding, for investments in long-term tangible and/or intangible assets improving

the whole operation of the company. Marketing of agricultural products includes also milk and dairy products. Results from a study deployed by the Food Marketing Institute

and Food Producers Association show an increasing demand for products “containing less ingredients, less processed and with nothing artificial included”(42%).

MARKETING STUDY

How are consumers' food preferences being shaped

Nowadays, consumers are more knowledge-driven than previous generations and value more the source and the label of the product. With no doubt, consumption values have changed, and taste, price and proximity lay the foundation for mobilizing a set of values currently in a changing process. The conclusion of the above study mentioned: consumers' attention will be caught by those brands that will provide them with

the details they are looking for. **Until 2019, the Romanian Ministry of Agriculture and Rural Development will assure the EU certification of around 20 Romanian traditional products from which we can mention Vaideni, Bran and Gulianca cheese.** Currently, Romania has succeeded to register Ibănești cheese (protected designation of origin – PDO) and Sibiu cheese (protected geographical indication - PGI). Säveni

pressed cheese is the next Romanian dairy product to be certified, being currently analyzed in Brussels for obtaining the PGI certification. A direct sales channel is a good option for the farmer. We talk about a more advantageous way of selling by collecting money faster, meaning reducing the period for making the production profitable.

How can marketing help you communicate the uniqueness of your farm



In Dortmund, Germany, the cows enjoy classical music in order to deliver a higher quantity of milk. The German agency Jung von Matt turned this practice in a unique selling point and created a product around this story: Dortmund Concert Milk. This is a smart way of increasing the milk price by means of an intelligent marketing concept.



Milk Nature Russia is another good example by means of a creative packaging.



Material provided by TMT PR



AGRICULTURAL

COOPERATIVES

Definition & classification

Over the last few years, because of concentration or development strategies, farmers are faced with a fundamental strategic decision: to choose how to act better in insecure situations to make viable and cost-effective agricultural holdings. As an alternative, farmers make different forms of association, out of which cooperatives are highlighted, structures that enable them to increase their productive performance, but also negotiate with partners in the value-added chain. The Agricultural Cooperative is an association of individuals set up to jointly exploit the

agricultural areas owned by the cooperative members, to jointly carry out land improvement works, jointly use machinery and facilities, and harness agricultural products. Thus, the cooperative is a practical solution of private economic association, of persons, with equal rights and obligations, regardless of their social contribution with the preservation of their identity. According to the legal classification criterion, we can have: **1st cooperative society** - a legal entity made up of several natural persons; **cooperative society of Grade 2** - an association of first-class

cooperative societies, mostly other natural or legal persons. In Romania, agricultural cooperatives and cooperative societies are regulated by Law no. 1/2005. In order to have an agricultural cooperative, it is necessary to associate a minimum of 5 people. The social capital of the agricultural cooperative is at least 500 lei (for agricultural cooperatives of the 1st grade) and at least 10,000 lei (for the second degree agricultural cooperatives). The share capital is composed of shares whose value can not be less than 10 lei.

Structure

The General Assembly is the supreme decision-making body, made up of all the co-operating members. The General Assembly has the role of setting the overall objectives of the organization.

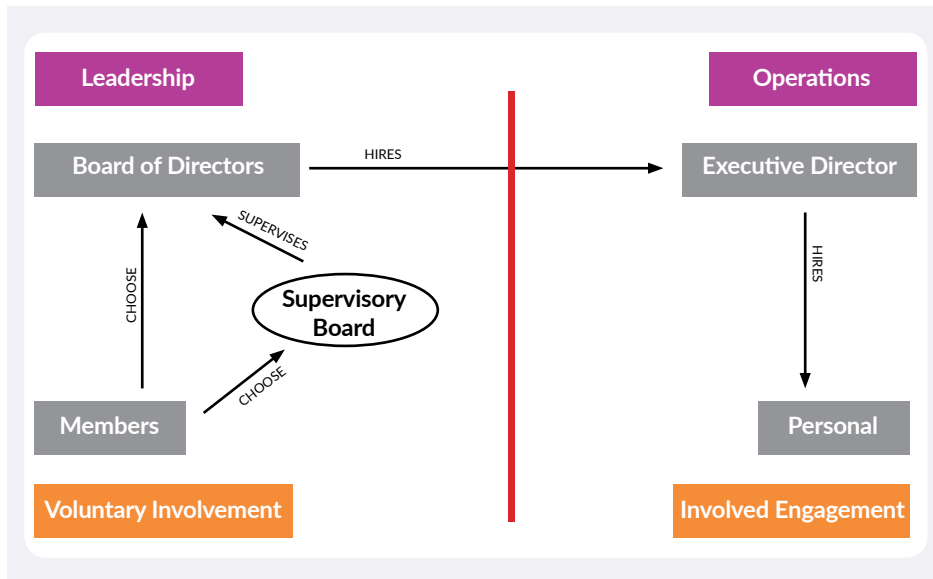
Cooperative management is handled by the board of directors and co-operative president. The legislation also provides for the possibility of an elected executive director. The Board of Directors,

consisting of an odd number of members, elected by the general assembly vote, takes decisions and coordinates the activities of the cooperative society. These decisions must

be in accordance with the objectives set by the general meeting. The success of a cooperative depends on the voluntary involvement of members; They must be familiar with the structure, responsibilities and processes within the cooperative.

It is important to note that, although it is not a private enterprise itself, cooperatives have to function the same as one in the idea of joint effort for a common goal with common benefits. Also, the economic interests are not the only ones that are being

pursued, the social and cultural ones are also added to them, with cooperative having an important role in maintaining social solidarity. Otherwise, the cooperative is not sustainable in the long run and cannot have a major impact on the market.



It is very important for the cooperative members to understand the importance of the collaboration, to be motivated, involved and eager to work for both their own and for the common interest.

They must know their own rights and obligations, the rules that govern the cooperative activity, the state of the market and of the industry in which it operates. Also, the members need to be open

to contribution financially and sharing possible risks with the others. Members have the power to make a strong, productive and sustainable cooperative.

The principles of the cooperative organization

The cooperative principles that establish the framework of the cooperative system in Romania are inspired from

the principles stated by the International Cooperative Alliance (1995):
 > the principle of voluntary and open association

- the cooperatives are defined as belonging to the civil society, being the expression of freedom of association of citizens;



> **the principle of democratic control of cooperative members** - in cooperative societies of 1st grade, members have equal voting rights, each with one vote, regardless of the number of shares held;

> **the principle of economic participation of cooperative members** - the members contribute equitably to the constitution of the property for the cooperative society. Cooperative members typically receive limited cash or in-kind compensation, from the profit based on the annual financial situation

and on the profit and loss account, in proportion to their share capital;

> **the principle of the autonomy and independence of cooperative societies** - the cooperative societies are autonomous organizations, based on the self-employment and are controlled by their members;

> **the principle of education, training and information** - the cooperative ensure the education and training of members, elected representatives and

employees so that they can effectively contribute to the development of the cooperative;

> **the principle of cooperative between cooperative societies** - the cooperatives serve their own members and strengthen the cooperative movement;

> **the principle of community concern** - cooperative societies act for the sustainable development of their communities through policies approved by members.

The economic benefits of a cooperative

A cooperative can only be valuable when it was created to respond to an unsatisfied need in the market, or to a support certain groups / individuals in recovering after a series of failed attempts, uniting the

forces into a joint project. By joining a cooperative umbrella, members achieve certain common goals that might otherwise be impossible to accomplish on their own. Thus, cooperative founding

opens new opportunities for economic development by attractive local, zonal or regional advantages and using the collective power to increase prosperity.

The main economic benefits of cooperatives are:

- > Improving the quality of agricultural products;
- > Increasing the quantity of sales of agricultural products;
- > Higher values of agricultural products created by producer members;
- > Small retain prices;
- > Small prices for insecticides, fertilizers, etc.;
- > Increase of revenues for producers, distribution of surplus to members and increase in the number of employees within the same family;
- > Access to subsidies and public funds, as well as to external funds provided in the program of support for the agriculture of Romania;
- > Tax incentives granted by the state: exemption of members from the payment of tax on agricultural activities for the production brought by/through the agricultural cooperative, exemption from customers taxes, etc.

Sources: Public report Rabobank "Cooperative and rural financial development", Institutul de Economie Socială (<http://www.ies.org.ro/>), Manual de intervenție: economia socială și cooperativede

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