

# CASE STUDY REGARDING THE SELECTION OF DEVELOPMENT STRATEGY OF AN AGRICULTURAL HOLDING FROM BOTOSANI COUNTY

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## Abstract

The agriculture is the main economic sector of Botosani County and focuses mostly on labor.

In the farms, it is necessary to consider adopting a specific strategy for each farm, also being within the development strategy of the entire agriculture, which has among its objectives, creating sustainable agriculture capable of providing food security for the entire population, natural environment protection, enhancement of all agricultural resources, increase farm income etc.. Such lines of action, contained in an agriculture strategy may contribute to reaching standards imposed by our country's accession to the European Union.

The main strategic objectives for development of SC AGRO SRL Botosani for the coming years are to improve the competitive position of the company and its promotion as both domestic and foreign, made products more competitive technological and professional standards of the European Union continues to improve labor productivity by assimilating new technologies and techniques of production.

In order to achieve these objectives, S.C. AGRO COM LLC envisages a comprehensive investment programme for allowing the accomplishment of agricultural products at the highest level. In the next few years the company will upgrade the technology base by providing the latest performance equipment in order to successfully cope with competition. For the development of the domestic market, the company intends to achieve its global network of centres and sales presentation of AGRO SRL brand products.

**Key words:** farm, Botosani, strategy development, agriculture, strategic objectives

## MATERIAL AND METHOD

The source information which led to the development of this study is the statistical data from Botosani County Agricultural Department and some data collected directly from the analyzed agricultural unit.

The data processing was performed by specific diagnostic analysis methods resulting in a series of indicators and indices which enabled the development of specific strategies by creating their own distribution network.

## RESULTS AND DISCUSSIONS

The agriculture of Botosani County is the main economic sector of the county and focuses mostly on labour.

A comparative analysis 2007-2009 shows a decrease in area planted with cereal grains with about 30 000 ha, and also a significant decrease from the 128 827 maize in 2007 to 95,896 in 2009, this being due to the fact that the grain purchase price decreased significantly in 2009 compared to 2007. There is an increase in areas planted with oil plants, vegetables and potatoes.

Table 1

Area cultivated with the main crops (ha)

Name cultures	2007	2008	2009
Cereal grain	137933	131514	141254
Maize	100365	95873	95896
Fodder plants	58133	59500	58736
Wheat and rye	21765	19722	27798
Oleaginous plants	43112	50175	50768
Sunflower	31340	29519	29390
Sugarbeet	4340	1888	1770
Potatoes	8979	9206	9090
Vegetables	8019	7985	8118
barley and two-row barley	6388	5508	6555

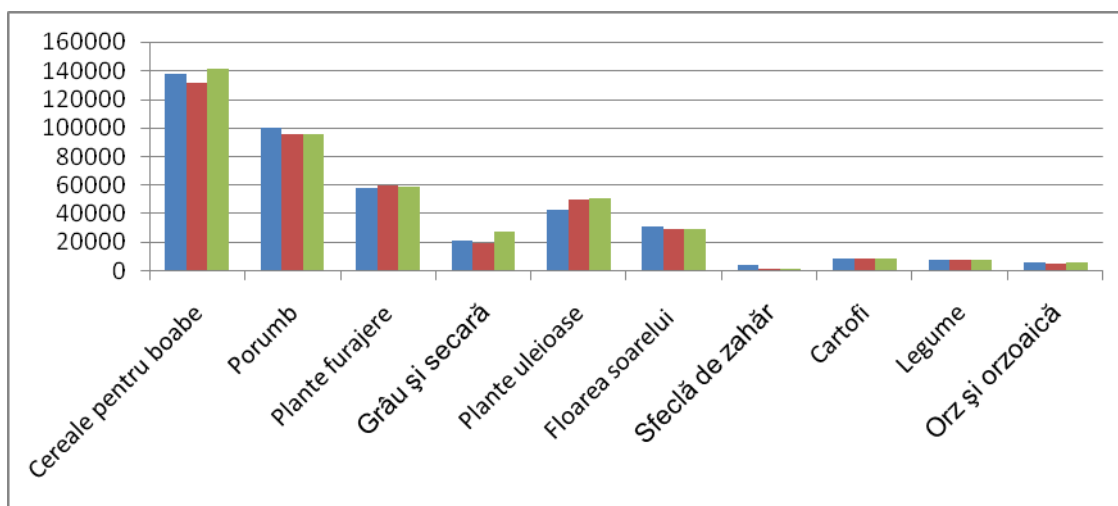


Figure 1 Evolution of cultivated areas in the county of Botosani 2007-2009

Although Botosani county has a large area of land that can not be effectively exploited resource, productivity is low due to the following factors: the exploitation of agricultural land is carried out on small plots (1-3 ha) due to division of the land owned by crossing private surface and the low level of mechanization, lack of capital for restructuring and modernization of agriculture; instability and soil erosion mainly due to crop failure to apply technology and best agricultural and environmental practices, failure to complete the tabulation process from outside the agricultural areas and exits of individuals through introduction

of unified cadastre, an action that would be supported as the state's expense mails being able to solve a big problem of land disputes.

Making an analysis of the total crop production and average yields achieved by a 2007-2009 comparative relationship is apparent that increased production in cereals, maize, sugar beet and potatoes.

The agricultural crop structure of society AGRO SRL Botosani is specific to the plain area, the company only cultivating field crops. In the period under review the 903 hectares of arable land by the company were distributed as follows.

Table 2

Evolution of the average yields per hectare for main crops kg / ha

Nr.crt.	Name Grains	2007	2008	2009
1.	Wheat and rye	2210	1183	3078
2.	Barley and two row barley	1488	867	2359
3.	Maize grain	2549	2220	3484
4.	Sunflower	1165	887	1372
5.	Sugar beet	19451	20377	27067
6.	Autumn Potatoes	13539	10250	13134

Table 3

Evolution of total vegetal crop production of main crops (tonnes)

Nr.crt	Name Grains	2007	2008	2009	% 2009/2007
1.	Cereals for grains	327513	249247	454892	138,8
2.	Wheat and rye	48104	23334	85562	177,8
3.	Barley and two row barley	9504	4774	15466	162,7
4.	Maize grain	255820	212831	334110	130,6
5.	Oleaginous plants	57326	52380	86572	151,0
6.	Sunflower	36516	26195	40321	110,4
7.	Sugar beet	84418	38472	47908	56,7
8.	Autumn Potatoes	121571	94366	119385	98,2
9.	Vegetables	104641	88748	73006	69,7

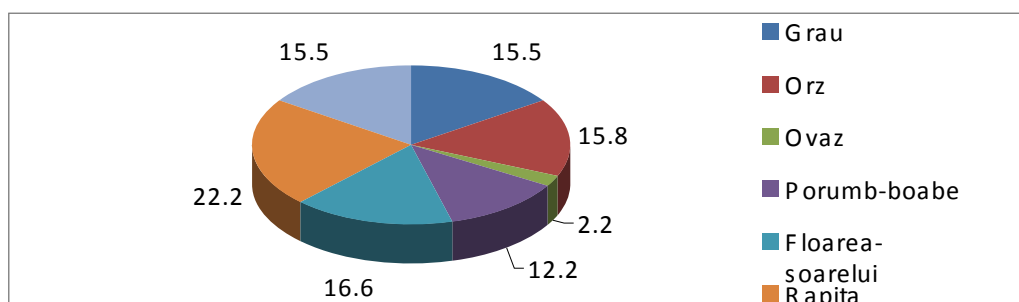


Figure 2 Share of cultivated areas S.C. AGRO SRL in 2010

Table 4

Harvested area and yields in 2007-2009

Name of crops	Area harvested (ha)	Average production (kg/ha)			Total production (t)			Evolution of production 2007-2008 (%)	Evolution of production 2008-2009 (%)
		2007	2008	2009	2007	2008	2009		
Winter wheat	140	1350	3150	2150	189	427	301	55.73	29.5
Barley	143	1300	2600	2000	186	372	286	50	23.11
Oats	20	1200	2000	1650	24	40	33	40	17.5
Maize grains	110	1400	3200	2800	154	352	308	56.25	12.5
Sunflower	150	660	1360	1055	99	204	158	51.47	22.54
Rape	200	980	1750	1040	196	350	208	44	40.57
Soy	140	1000	1685	1200	140	236	168	40.67	28.81

Source: SC AGROIND COM SRL

According to *table 4* the average production of wheat increased from 2007 in 2008 to 55.73% for barley by 50% to 40% oats, corn with 56.25% to 51.47% sunflower, rapeseed by 44% soybean and 40.67% in 2009 and in 2008 decreased by 29.5 wheat, with 23.11 in barley oats 17.5, with 12.5% for maize, sunflower 22.54% with 40.57% for rape and with 28.81% in 2007 averages soy. Productions caused significant financial losses from the SC AGRO SRL

The strategy of the holding analyzed aims, based on certain assumptions and the resources which can be provided, to determine its potential for development, adaptation to market requirements and, in general, to express them in the economic viability of agriculture and national (Brezuleanu S., 2009).

An appropriate strategy for development of SC AGROIND COM S.R.L must meet certain requirements, such as allowing a confrontation effective internal and external marketing with other units, in a constantly evolving economic environment, respond to consumer demands in terms of product quality and price levels, to ensure continuous improvement of structures, so they are better adapted to new demands (market, consumers, etc.) with the results they generate, to help create a positive image of the establishment environment, rational resource allocation and combine and extend the market share held by the unit.

To produce efficiently and competitively, SC AGROIND COM S.R.L must enrol in the trends that currently exist in the global agriculture, to promote qualitative factors among which are, managerial training, technical upgrade, the application of modern technologies.

Practice performance of farms in our country, demonstrate that context of competitive market economy, achieving high yields per hectare, increased labour productivity, raise to a higher level of economic efficiency, expenses production and, ultimately, achieving sustainable profitability and competitive, especially in large agricultural companies that depend to a decisive extent by the very size, structure, management quality and maximum efficiency with technical and material resources (Brezuleanu, S.et al, 2008).

Diagnostic analysis of economic and financial situation serves to highlight the economic value of the holding and is based on information taken from: balance sheet, completed financial year, the income, including income and expenditure, grouped by business activity, calculation is made for a period of three years.

Analysis of the dynamics and structure of revenues and expenditures shall be made by the same method as that of property, ie by the method for dynamic and rates for the structure. To learn how the firm's revenues have evolved in the period, signs of change are calculated for each income category.

Table 5

**Data on the financial activity of SC AGROIND COM S.R.L**

Indicators	Valoare -lei		
	2007	2008	2009
<b>A. Fixed Assets</b>			
1. Buildings	325296	837233	856365
Current Assets -Total	325296	837233	856365
<b>B. Current assets</b>			
1. Stocks	267962	462710	597822
2. Book debits	196638	350546	279934
3. Bank accounts	24121	9256	181699
Current Assets -Total	488721	822512	1059455
C. Total assets	814017	1659745	1915820
D. Current Liabilities	144851	733546	719338
E. Long-term liabilities	398697	623838	743618
F. Total liabilities	543548	1357384	1462956
G. Own capital	270469	302361	452864
Capital -Total	270469	302361	452864

SC AGROIND COM S.R.L wants to launch a comprehensive range of agricultural products including seed crops of wheat, corn and sunflower. Farm takes into account two sales ways: by selling their retail centres which are strategically well located in terms of the stream and the purchase or sale by the distribution of traders who specialize in such activities, which would generate a steady income 40,000 lei.

Based on the decision tree method we determined the three possibilities for expression of products on the market, and their associated

probabilities and expected revenue in each case (Brezuleanu S., 2008).

The study of the conditions of production determines the probability of 0.6 for the market launch of new products to be favourable and 0.4 to be unfavourable as it is launching product ranges. It also provides the top management's likelihood of achieving strategic alternatives simultaneously.

Based on data from the table above, we can calculate the probabilities of the three situations you may encounter on the market, subject to a favourable or unfavourable market.

Table 6

**Opportunities for expression of products on the market**

Possible market situations	Probabilities of event	Revenue estimated (thousands lei)
SP <sub>1</sub> rapid acceptance in the market range of products	0,5	650
SP <sub>2</sub> sales of average volumes of the range of products	0,3	450
SP <sub>3</sub> weak sales of the product range	0,2	320

Table 7

**Possibilities for simultaneous accomplishment of strategic alternatives**

Possible market conditions	Favourable market	Unfavourable market	Absolute probabilities
SP <sub>1</sub> rapid acceptance in the market range of products	0,40	0,10	0,5
SP <sub>2</sub> average sales volumes of the range of products	0,12	0,18	0,3
SP <sub>3</sub> weak sales of the product range	0,08	0,12	0,2
Absolute probability	0,6	0,4	1

$$P(SP_1/p.f.) = 0,40/0,60 = 0,67$$

$$P(SP_2/p.f.) = 0,12/0,60 = 0,20$$

$$P(SP_3/p.f.) = 0,08/0,60 = 0,13$$

$$P(SP_1/p.nef.) = 0,10/0,40 = 0,25$$

$$P(SP_2/p.nef.) = 0,18/0,40 = 0,45$$

$$P(SP_3/p.nef.) = 0,12/0,40 = 0,30$$

Tabelul 8

## Probabilities of market situations

Possible market conditions	Favourable market	Unfavourable market
SP <sub>1</sub> rapid acceptance in the market range of products	0,67	0,25
SP <sub>2</sub> average sales volumes of the range of products	0,20	0,45
SP <sub>3</sub> weak sales of the product range	0,13	0,30
Absolute probability	1	1

Optimal strategy is apparently the testing of the market prior to selling through its own stores followed in this case a market-oriented manager, the client will choose safety first strategic alternative - market testing and choosing own-store sales - basing their decisions on the market study.

In S.C. AGROIND COM, the human resources have always been a key factor that led the company's development over time. In the near future, with the arrival of new investment in technology and logistics - creating their own outlets, recruitment will be necessary.

In order to recruit staff due to business growth, the company will use both internal sources, to fill key positions in the future state of organizational structure and sources outside the firm. Most people will be employed directly productive, their recruitment will be made from high-school graduates in Botosani and even unemployed, the company offers them the opportunity to receive free training in the farm production (Ciurea I. et al, 2005).

The effective selection of future employees will be made on the basis of tests, grouped into two categories: achievement tests, which measure the skills or knowledge available to a potential employee in agriculture and vocational interest tests, which attempt to measure potential interest employee of AGROIND COM SRL in comparison with the execution of various types of productive activities.

To mark the position of manager at SC AGROIND SRL, they will appeal to domestic sources, with the advantage of promoting from within to improve the employee morale, to encourage them to work more intensively in the hope of promoting the company.

## CONCLUSIONS

Farm SC AGROIND SRL operates in an economic environment marked by frequent changes. Consequently, the manager is obliged to set means of achieving goals and objectives through a permanent reporting and monumental

changes occurring in the economic environment outside.

Selling through own stores can be effective in holding analyzed because it has large, a considerable economic and human potential resulted in a large number of branches of production, meeting production and recovery conditions particularly favourable. Diversification of production, the strategic option is a way of realizing the main trend of success of a greater number of products, driven by the social division of labour.

The diversification of agricultural production ensures a higher recovery of the economic potential of the human and technical SC AGROIND SRL, where this potential is already very strong.

Partial diversification of activities is a major way to survive in highly fluctuating and unstable economic environment characteristic of phase transition to a market economy. We recommend that the objective for holding SC AGROIND SRL, strategic choice of diversification is necessary to combine the expertise, sometimes having a complementary in production and economic activity.

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