

MANAGERIAL STRATEGIES CONCERNING THE OPTIMISATION OF AGRICULTURAL UNITS FROM BOTOȘANI COUNTY (CASE STUDY AT S.C. MULTIAGRA S.R.L. VLĂȘINEȘTI, BOTOȘANI COUNTY)

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Abstract

The survey aims to elaborate managerial strategies concerning the optimisation of agricultural units from Botoșani County, by attracting European funds. At present, the common agricultural policy (CAP) represents a complex system of subsidies and other financial incentives built on two pillars and it takes nearly half of the common European Union's budget. The first pillar concerns greener and more equitable measures in the area of market support. The second pillar concerns rural development measures and concentrates on the harmonious development of rural areas, including activities diversifying, product quality increase and environment protection. In the actual context, the Romanian farmers need to adapt to the world economic reality, to adopt new technical and economic methods for having a good economic stability and economic efficiency and to produce according to the European market standards. The European funds absorption for agriculture and rural development is closely linked to the activity of the Agency for Paying and Intervention for Agriculture, which is carried out on three main directions, concentrating on support measures financed both by the national budget and the European funds. The survey's authors have proposed to emphasize the strategies that could contribute to the ensuring of private agricultural units efficient development through the European funds absorption, based on a case study at S.C. MULTIAGRA S.R.L. Vlăsinești from Botoșani County.

Key words: strategies, management, efficiency, agriculture

The strategy for the development and optimisation of agricultural production in a certain surface area is based on the economic and financial analyse of the agricultural sector and must determinate those measures for the agricultural production increase and its optimisation through European funds absorption.

By the same token, it is necessary to decrease the number of persons who ensure their incomes only from agricultural activities, in view to generate the fusion and strengthening of viable farms. These measures will influence the increase of the Romanian agriculture efficiency, through promoting the farmers' managerial and marketing abilities and directing the agricultural activities through profitable investments, including integrated projects with non-refundable European funds.

In this context, appropriate conditions can be created for the economic increase, new employments and the improvement of rural population quality life. These objectives can be reached only through a sustainable use of the available natural, economic and human resources in the studied area. Consequently, the use of

European funds depends on the effective absorption capacity of units, which is related to eligible projects (or measures), institutions specific activity, management and fund financial control procedures and the possibility of co-financing *from the state budget, local budgets or private sources*.

The European funds absorption for agriculture and rural development is closely linked to the support measures financed both by the national budget and the European funds.

MATERIAL AND METHOD

The survey was realized at S.C. MULTIAGRA S.R.L. Vlăsinești from Botoșani County and was aimed to emphasize the main elements of the managerial and marketing strategy. The strategy is based on a system of indicators, which aim the possibilities of optimisation of the agricultural production, through the constant analysis of the economic and financial activity and the establishing of strategies to follow.

The survey was based on the analysis of budgetary years during 2009-2011 period and comprised the following indicators: the farm property, the liquidity, the solvency, the debt, the

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working capital, the net earnings, the turnover, the incomes, the expenses, results per budgetary year, the trade margin, the added value, the profitability, the accounting indicators.

The property evolution at S.C.MULTIAGRA S.R.L. Vlăsinești from Botoșani County during 2009-2011 period is presented as follows (*tab. 1.*).

RESULTS AND DISCUSSIONS

Table 1
Property evolution at S.C.MULTIAGRA S.R.L. Vlăsinești from Botoșani County during 2009-2011

Specification	Closing bank balance			%	
	31.12.2009 lei	31.12.2010 lei	31.12.2011 lei	2010/2009	2011/2009
Total non recurrent assets	2590140	7676301	6778162	296.4	261.7
Total current assets	2861779	4774065	2961464	166.8	103.5
Total assets without running debts	2178374	6144678	4231616	282.1	194.3
Long-term debts	1152462	5098122	3117084	442.4	270.5
Advance incomes, out of which :	555447	2649789	2291076	477.1	412.5
-subsidies for investments	555447	2649789	2291076	477.1	412.5
Capital	492302	492302	492302	100.0	100.0
Results per budgetary year – Credit side	300653	20645	67975	6.9	22.6
Total shareholders' equity	1025912	1046556	1114532	102.0	108.6
Total funds	1025912	1046556	1114532	102.0	108.4
Total assets, liabilities and net worth	5527532	12517867	9761082	226.5	176.6
Total debts	4501620	11471311	8646550	254.8	192.1
Accounting net assets (ANA)	1025912	1046556	1114532	102.0	108.6
Net statement = Shareholders' equity - Subsidies for investments	470465	-1603233	-1176544	-	-

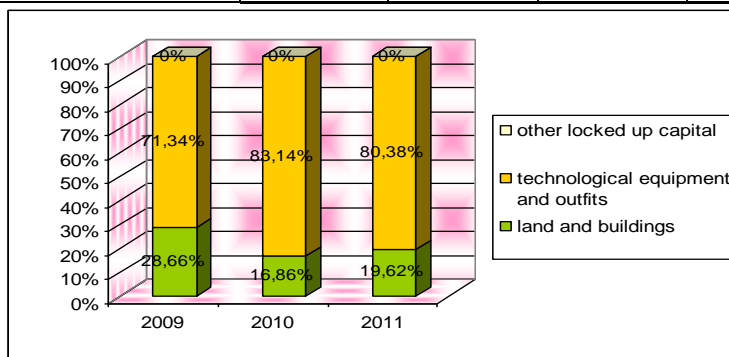


Figure 1 **Structure of locked up capital - %, during 2009-2011 period**

It is observed a significant increase (+ 76.6%) at the end of the year 2011, after a rise of 2.3 times in the year 2010, as compared to the situation reported in 2009.

The property situation as a whole at 31 December 2011 as compared to that reported on 31 December 2009 is characterized as follows:

- the current assets increased by 2.6 times, while the non current assets increased only with 3.5%;
- the total debts were 1.9 times bigger and the long-term debts (longer than a year) increased by 2.7 times, while short-term debts increased only with 15.9%;

- the subsidies for investments rose by 4.12 times;
- the shareholders' equity maintained at the same level in the studied period, presenting a positive evolution between 2.6 – 8.6%.

The analysis of non current assets structure reveals the fact that the commercial society was based on technological equipment and outfits which generate incomes, as shown in *fig. 1.*

The analysis of the total assets structure is based on the emphasizing the permanent assets and current assets by calculating the ratios, their share in the total assets and the share of each element within the categories (*fig. 2.*).

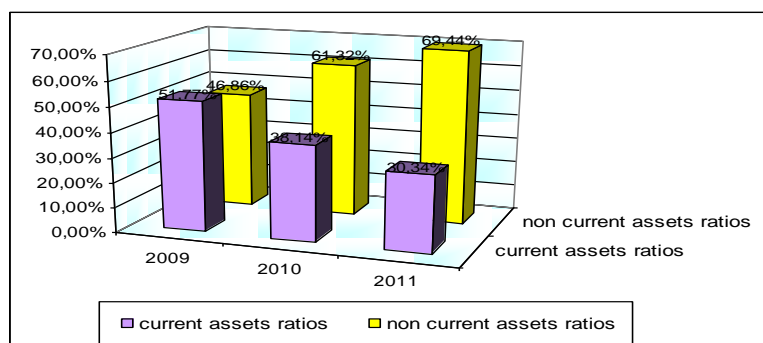


Figure 2 Evolution of main assets ratios - %

The analysis of current assets at 31 December 2011 emphasizes the following main aspects:

- the small share of current assets in the total assets (*30.34% as compared to 40%, representing the minimum share recommended*), but in concordance with the specific activity of the studied commercial society;
- few cash assets in the current assets (*insignificant available assets*) as compared to *the minimum level required of 5%*;
- significant decrease of receivables;

- large quantity of goods in store stock (*77.34% as compared to a maximum normal level of 50%*).

The following indicators measure how a commercial society can cover the short-term debts:

- a) **the general liquidity**; a favourable result must surpass 1 ($Lg > 1$);
- b) **the quick ratio**; the optimal value must surpass 1 ($Lr > 1$);
- c) **the immediate liquidity**, settled at a minimum acceptable value of 0.35.

The indicator of solvency (Is) emphasizes the way that the company faces the total debts and it represents the total debt to total assets ratio (*tab. 2*).

Table 2
Evolution of the indicators of liquidity and solvency at S.C. MULTIAGRA S.R.L. Vlăsinești from Botoșani County

Crt. nr.	Indicators	U.M.	Studied period			Optimal value
			2009	2010	2011	
1	Current assets (Ac)	lei	2861779	4774065	2961464	-
2	Receivables (Cr)	lei	1376572	2910374	660385	-
3	Available cash (Db)	lei	153380	15494	10599	-
4	Total assets (At)	lei	5527532	12517867	9761082	-
5	Short-term assets (Dts)	lei	2793711	3723400	3238390	-
6	Total debts (Dt)	lei	4501620	11471311	8646550	-
7	Current ratio ($Lg=Ac/Dts$)	coefficient	1.02	1.28	0.91	> 1
8	Quick ratio ($Lr= (Cr+Db)/Dts$)	coefficient	0.5	0.79	0.21	> 1
9	Immediate liquidity ($Li=Db/Dts$)	coefficient	0.05	0.004	0.003	0.35 - 0.65
10	Indicator of solvency ($Is=At /DT$)	coefficient	1.23	1.09	1.13	2

The indicators of liquidity are insignificant because of the unstable proceeds. Therefore the survey will analyze also **the turnover time of capital: turnover time of capital (DR), stock quantity and average length of credits** (*tab.3.*).

The data emphasize that **the turnover time of capital** increased as compared to 2009,

while **the average length of credits** decreased by 3.7 times, from 148 days to 40 days.

The analysis of liabilities' structure leads to the identifying of risk factors and zones. Therefore it is very important to analyze **the debt indicators** (*tab. 4.*).

Table 3

Evolution of assets turnover ratios at S.C. MULTIAGRA S.R.L. Vlăsinești from Botoșani County

Crt. nr.	Indicators	U.M.	Studied period		
			2009	2010	2011
1	Turnover time of capital (DR) until asset returns ($DR = AT/CA \times 360$)	number of days	811	1577	950
2	Turnover time of capital (DR) until total debts payment ($DR = DT/CA \times 360$)	number of days	660	1445	842
3	Stock quantity depending of money flow days ($Ms = stock \times 360 / sales \text{ value}$)	number of days	338	357	287
4	Average length of credits ($Dm = customers \times 360 / sales \text{ value}$)	number of days	148	17	40

Table 4

Evolution of debt and financial stability indicators at S.C. MULTIAGRA S.R.L. Vlăsinești from Botoșani County

Crt. nr.	Indicators	UM	Studied period			Optimal value
			2009	2010	2011	
1	Financial stability ratio ($Rsf = CP/Pt \times 100$)	%	49.46	70.26	66.82	< 34%
2	Level of current financing ($Gfc = Dts/Pt \times 100$)	%	50.54	29.74	33.18	
3	Indicator of financing structure on terms ($Isft = Dts/CP \times 100$)	%	102.19	42.34	49.65	
4	Global financial autonomy rate ($Rafg = Cpr/Pt \times 100$)	%	18.56	8.36	11.42	Min.33% Rec.50%
5	Rate-term financial autonomy ($Raft = Cpr/CP \times 100$)	%	37.53	11.90	17.09	Min.50%
6	Level of debt ($RL = Dt/Cpr$)		4.39	10.96	7.76	$RL < 0,5$
7	Global debt rate ($Rig = Dt / Pt \times 100$)	%	81.44	91.64	88.58	Max.66% Rec.50%
8	Rate on term debt ($Rit = Dtl / CP \times 100$)	%	62.47	88.1	82.9	Max.50%

The structure of financial resources on exigible terms at 31 December 2011 emphasizes the following aspects:

- *the company has permanent financial resources in proportion of 66.82% reported to the total resources. The permanent resources are composed by the own capital in proportion of 17.09% and long-term debts in proportion of 82.91%;*
- *the level of current financing shows that the company finances the current activity in proportion of 33.18%, representing a normal level; the current resources (short-term debts) represent 49.65% out of permanent resources.*

The evolution of working capital during the last three budgetary years reveals the following aspects:

- *the working capital was positive in the years 2009 and 2010 and it increased by 8 times in 2010 as compared to 2009; the working capital was entirely foreign in 2011;*
- *the net working capital was negative because the current assets liquidity couldn't cover the current debts.*

In case that the temporary resources can not cover the recurring needs, it appears an surplus of temporary needs to be covered from other resources, such as: **the working capital and the short-term credits.**

The necessary of working capital registered positive and increasing values during the studied period. A surplus of temporary needs was realized in 2011 and it was 2 times bigger than in 2009. The increase of the necessary of working capital can be normal only if it is a result of the company's strategy (*investment policy, increase of sales, improvement of manufacturing cycle etc.*), but it can also emphasize an unfavourable difference between stock liquidity and receivables and between the exhibility of operating charges, the deceleration of returns and the pressing of payments.

The net earnings were negative and it created a deficit. That is why the company got short-term loans (*with related costs*) for the financial recovery.

The survey analyzed also the **cash flow (CF)**, because of net earnings evolution. The cash-flow presents a coherent combination between the financial balance and the company performance.

The company's cash flow is presented in the data table (*tab. 5*).

The profit and loss account measures the company's performance in the budgetary year and

comprises the net turnover, incomes and costs and also the yearly financial result (tab. 6.).

Table 5

Cash flow of the company S.C. MULTIAGRA S.R.L. Vlăsinești from Botoșani County

Crt. nr.	Indicators	U.M.	Studied period		
			2009	2010	2011
1	Financing cash flow $CFG = RN + CHD + CHAMO$	lei	862897	1119651	1568846
2	Available cash flow $CFD = [(RN - Dcpr) + (CHD - Ddatfin)]$	lei	135758	-3813582	2644022
3	Operating cash flow $CFO = RN + CHAMO$	lei	593420	637900	1041616

Table 6

Evolution of turnover, incomes, costs and yearly financial result at S.C. MULTIAGRA S.R.L. Vlăsinești from Botoșani County

Crt. nr.	Indicators	Closing bank balance			Variation - %	
		31.12.2009	31.12.2010	31.12.2011	(2-1)/1	(3-2)/2
1	Net turnover	2453628	2857071	3697941	16.44	29.43
2	Total operating incomes	3224625	3959129	5009576	22.78	26.53
3	Total operating costs	2597086	3415548	4385199	31.51	28.39
4	Profit	627539	543581	624377	-13.38	14.86
5	Current earnings (profit)	358076	28686	83281	-91.99	190.32
6	Gross earnings (profit / loss)	358076	28686	83281	-91.99	-190.32
7	Net earnings	300653	20645	67975	-122.61	-439.01

The company's performance is calculated by the following indicators: *the commercial margin, the turnover, the yearly production and the added value.*

The turnover must reach 85% of operating incomes and 75% of total incomes, in the situation of the normal activity of a company.

The turnover of the studied company reached 73.82% out of operating incomes in 2011, being affected by the production in stock and the revenues from investment subsidies (fig. 3).

The yearly production increased every year over the studied period, with a growth of 79.26% in 2011 as compared to 2009.

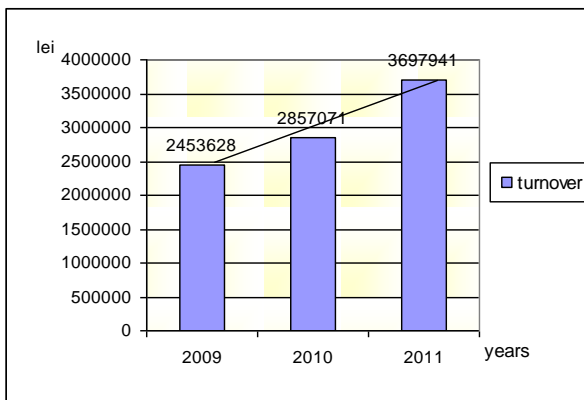


Figure 3 Evolution of turnover at S.C. MULTIAGRA S.R.L. Vlăsinești from Botoșani County

As it concerns the company's production, the company's ability to valorize the entire production is very important. The level of this indicator increased over the studied period and reached 76.91% in 2011, however in the future the company must improve it until 90%.

The gross earnings revealed the efficiency of the entire activity over the budgetary year. The gross earnings comprise the profit and loss of the company over the budgetary year (fig. 4.).

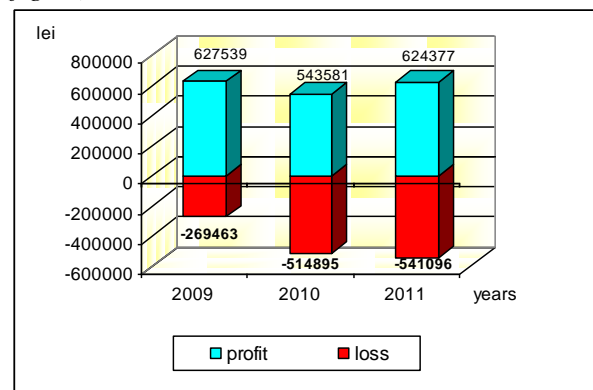


Figure 4 Evolution of gross earnings at S.C. MULTIAGRA S.R.L. Vlăsinești from Botoșani county

For the accounting year ended 31 December 2011, the profitability ratios were improved as compared to the previous year, but they did not succeed to reach the minimum level recommended.

The best values were registered by the gross and net profitability, namely in the operating

process where the added value was created. As it concerns the net economic profitability, the profitability decreased because of the financial deficit due to the big costs of the financial debt (fig. 5).

CONCLUSIONS

The financial indicators used in the retrospective analysis of results of the company S.C. MULTIAGRA S.R.L. Vlăsinești from Botoșani County, represent the “**vital signs**” of the company and they help the business monitoring, pointing out of possible problems and identifying of trends.

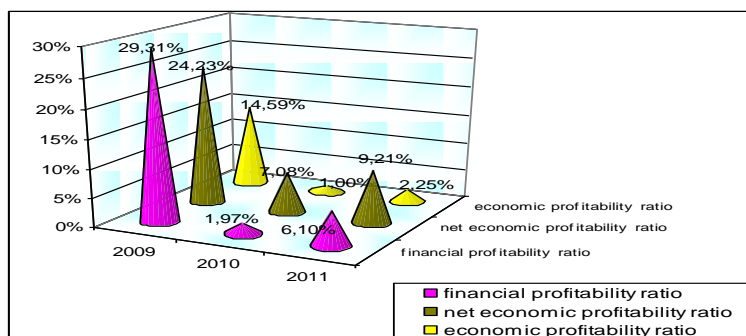


Figure 5 Evolution of profitability ratios ratelor de rentabilitate la S.C. MULTIAGRA S.R.L. Vlăsinești from Botoșani County

The operating and profitability indicators emphasize the weak capacity of the company to mobilize resources (for example through high-performance rotation speed) or to increase the company's resources from the profit. The company has a real future development potential, especially for new fixed assets, through attracting long-term foreign financial funds, such as subsidies and financial loans.

The authors recommend the improvement of liquidity and solvency and the increase of the company's economic efficiency.

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The survey pointed out the economic significant aspects of the company, based on the calculation of accurate financial reports in accordance with the real situation.

On 31 December 2011, the company had got a total asset consisting of non current assets (mainly technological equipment and outfits) in proportion of 70% and current assets (production in stock) in proportion of 30%.

By analyzing globally the ability of the company to face the total debts, the survey reveals that the result of the solvency indicator is inadequate, with a value of 1.13 instead of 2 – the value of the optimal coefficient.

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