

## **THE IMPACT OF THE EUROPEAN UNION FUNDS ON BEEKEEPING EXPLOITATIONS IN THE NORTH-WEST REGION OF ROMANIA**

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### **Abstract**

*Beekeeping in the North-West Region of Romania is an important part of the rural society and a tool for rural development. The present study analyses the role of financing beekeepers from European Union funds as a factor that influences the intention to start a business and also to create alliances with other enterprises and export beekeeping products. The study reveals the fact that obtaining financing is correlated to the entrepreneurial orientation and also to competitive strategies. Therefore, obtaining European Union funds is thought to determine the performance of beekeeping exploitations and contribute to rural development.*

**Key words:** European Union funds, entrepreneurship, alliances, export

### **INTRODUCTION**

The European Union funds are meant to assure that beekeeping remains present in rural areas as the sector plays a strategic role in society, providing a public service of environmental value, being a valuable example of a “green occupation” (improving and preserving biodiversity and the ecological balance, conserving plant life) and a model of sustainable production in the rural environment (European Parliament Resolution of 25 November 2010).

The European Union Rural Development Programme (RDP) is coherent with the three main goals of the Romanian National Strategic Plan for Rural Development. The first main goal of the RDP is to facilitate the transformation and modernization of the dualistic structure of agriculture and forestry, as well as its agro/wood-processing industry to ensure their competitiveness (Axis 1), contributing to growth and income convergence in rural areas (where possible), while ensuring the living conditions and environmental protection of these areas. Within Axis 1, National public funding represents approximately 11.75% share of the axis funding; European Agricultural Fund for Rural Development (EAFRD) 47.00% and private funds 41.25%.

The main sub-objectives of Axis 1 are the support of farmers and persons carrying out their activity in the agri-food and forestry sectors, to improve human capital and the capacity to adapt to the new context, to accelerate the structural adaptation of agriculture and encouraging semi-

subsistence farms to enter the market, to modernize agricultural holdings, increase farms' adaptation from an economic and environmental point of view, support the agri-food industry and improve forest management and develop forestry products (EU Rural Development Policy 2007-2013). Table 2 presents the first part of Axis 1 that comprises Measure 112.

Table 1

Axis 1 - Improving the competitiveness of the agricultural and forestry sector

Measures		
Promoting knowledge and improving human potential	111	Vocational training and information actions
	<b>112</b>	<b>Setting up of young farmers</b>
	113	Early retirement
	114	Use of advisory services
	115	Setting up of management, relief and advisory services

Source: EU Rural Development Programme (RDP) (2007-2013)

The support for young farmers (Measure 112) represents a setting up aid in the form of a single premium of up to 40,000 €, an interest rate subsidy (capitalised value up to 40,000 €), or a combination of both, to a total value up to 55,000 €. Among the conditions there is the fact that the farmers, beekeepers in this context, should be less than 40 years, they have to set up for the first time, to possess adequate occupational skills (proved by a certificate in apiculture) and to formulate a business plan. The grace period to comply with existing Community standards (which must be identified in the business plan) is up to 3 years (EU Rural Development Policy 2007-2013).

Many words and phrases are used in the literature to describe the factors that influence entrepreneurship (Schramm, 2006). However, the differences between these various studies are often largely semantic; most researchers agree that entrepreneurship emerges through a combination of three factors: opportunities, skilled people and resources (Ahmad and Hoffman, 2008). Some researchers attribute entrepreneurial behaviors to personality factors and social-cultural background (Bird, 1989) and other researchers state the importance of environmental and structural aspects of the firm as well as decision making and strategic factors that shape the entrepreneurial behavior (Gartner, 1985).

In the beekeeping sector, resources reflect access to capital and technology. These factors are important to entrepreneurship in general. Many studies on entrepreneurship highlight capital as one of the most critical factors for success (EU, 2003). Entrepreneurship is central to the vitality of economies through the creation of new jobs, businesses, and opportunities (Shane and Venkataraman, 2000). Entrepreneurial success, therefore, is important for the continuous growth of economies. Entrepreneurial orientation (EO) involves a willingness to innovate market offerings, take risks to try out new products, markets, and be more proactive

than competitors toward new market opportunities (Wiklund and Shepherd, 2005). Small business performance increases with EO at a faster rate for those enterprises that have greater access to financial capital. Entrepreneurial strategies require considerable financial resources to be successful (Wiklund and Shepherd, 2005). Thus, it is predicted:

*Hypothesis 1. Obtaining financial support from the European Union Rural Development Programme (Axis 1, Measure 112) is related to the intention of starting a business in the beekeeping sector.*

Alliances with different enterprises facilitate the growth of the beekeeping exploitation by expanding its set of viable business opportunities and by improving its capabilities (Nichter and Goldmark, 2009). Donckels and Lambrecht (1995) found that the development of alliances, particularly at the national and international level, was positively associated with firm growth. Having an extensive social network through alliances is a valuable asset that can help beekeepers obtain access to information (profitable business opportunities) as well as resources (financing). Thus, it is predicted:

*Hypothesis 2. Obtaining financial support from the European Union Rural Development Programme (Axis 1, Measure 112) is related to creating alliances between beekeeping enterprises.*

The European Union is accounting for around 14% of the global honey production. A large part of this honey production comes from Eastern Europe, notably from Hungary and Poland (Karpati et al., 2009). Due to the accession of Romania and Bulgaria to the EU, the self sufficiency rate of honey in the EU increased by almost 10%, to approximately 60%. Worldwide production of honey amounts to around 1.4 million tones. The leading producers are China (22%), the USA (6%), Argentina (6%) and Turkey (5%) (Karpati et al., 2009). In the recent years, Romania has increased its honey export (Table 6). The EU market is the most important export market for Romanian honey that is mainly exported to countries such as Germany, France and Italy.

Table 2

Export of Romanian honey

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EXPORT - tones -	7.501	6.862	5.784	9.633	8.757	6.632	9.606	6.255	7.087	10.654

Source: National Customs Authority, National Institute of Statistics, 2010

Opportunities in apiculture are created by market conditions that include competition and access to foreign markets through export. Thus, it is predicted:

*Hypothesis 3. Obtaining financial support from the European Union Rural Development Programme (Axis 1, Measure 112) is related to the export of products.*

The beekeeping sector in Romania has many opportunities, but most is to be gained on the business orientation (intention to start a business) of the sector, to make the sector more competitive. Elements like entrepreneurship, financing, strategic alliances and export need to be consolidated in order to make this possible. The transition from a subsistence level to a commercial sector is most needed to make the sector more competitive.

#### **MATERIAL AND METHODS**

In order to meet the objectives of the present study, a survey was used as research method. The survey was conducted in the North-West Region of Romania between November 2010 and February 2011. The North-West Region (Northern Transylvania) was set-up on the grounds of the Law 151/1998, modified by Law 315/2004, through the volunteer association of the local public administrations from the counties of Bihor, Bistrita-Nasaud, Cluj, Maramures, Satu-Mare and Salaj. The economy of the North-West Region relies on agriculture and on the processing industry dominated by traditional sectors with intensive activity and on some new emerging sectors (REGIS-NW Project, Regional Innovation Strategy for the North-West Region, 2008).

Within the survey, the work tool was the questionnaire, distributed during beekeepers' meetings, by post and on the internet. The sample comprises 420 beekeepers out of which 84% are members of the Romanian Beekeepers' Association. The average age of the sample is 45.13 years and 38.3% of the respondents have a certificate in superior studies. The study was mainly addressed to young entrepreneurs, reason why experience in apiculture between 3 and 10 years is found in a proportion of 36.9%, namely 155 of beekeepers from the sample.

*Table 3*

Beekeepers' experience in apiculture

Experience in apiculture (years)	Frequency	Percent (%)
<3	68	16.2
<b>3-10</b>	<b>155</b>	<b>36.9</b>
11-20	86	20.5
21-30	66	15.7
31-40	30	7.1
>40	15	3.6
<b>Total</b>	<b>420</b>	<b>100.0</b>

Source: Own data processing using SPSS programme

The data was analysed using SPSS statistical program. Pearson’s Chi-square test was used to determine whether there exists an association between obtaining financing from Measure 112 “Setting up of young farmers” and the intention to start a business, creating alliances with other enterprises and the export of products.

## RESULTS AND DISCUSSION

In the beekeeping sector, the intention to start a business opens new opportunities: new markets are to be entered, quality will improve and production will increase. Among the factors that can determine entrepreneurship there is the obtaining of financing. Beekeepers’ financial resources for starting a business are generally limited because generally they come from rural areas and thus they have to obtain larger amounts of capital from financing or outside investors in order to secure growth. Financial capital is one of the necessary resources required for enterprises to form and subsequently operate. The following table presents the association (crosstabulation) between Measure 112 “Setting up young farmers” and the intention to start a business.

*Table 4*

Measure 112 “Setting up of young farmers” \* Intention to start a business Crosstabulation

		Intention to start a business		Total
		Yes	No	
<b>Measure 112</b> <b>“Setting up of young farmers”</b>	Yes and I have received funds	41	18	59
	Yes, but I haven’t received funds	2	1	3
	No, but I want to apply	25	25	50
	No, and I do not want to apply	80	221	301
	Yes, but I have not received funds yet	3	2	5
<b>Total</b>		<b>151</b>	<b>267</b>	<b>418</b>

Source: Own data processing using SPSS programme

There is a significant association between Measure 112 “Setting up young farmers” (based on Pearson’s Chi square values: 46.976, df = 4, sig=0.000) and the intention to start a business. Out of 420 persons, 2 responded “I do not know/I do not want to answer”, so they were not included in the analyses.

The availability of external financing is a crucial determinant in beekeepers’ decision to collaborate with other enterprises. Obtaining financing engenders distinctive competitive advantages that develop within the creation of alliances with other enterprises. Alliances provide value to beekeeping exploitations by allowing them access to the social resources embedded within the network of alliances. This form of cooperation can lower the risk of failure of a beekeeping enterprise and increase its chances of success. Alliances with other enterprises are a deciding factor in beekeeper’s choice to start the enterprise creation. Such relationships facilitate the inflow and outflow of resources, information and status among

connected firms. Information is important to beekeepers in the process of decision making, but it is costly to obtain, and so alliances provide a means by which important information can be acquired.

Table 5

Measure 112 “Setting up of young farmers” \* Alliances with other enterprises

Crosstabulation

		Alliances with other enterprises		Total
		Yes	No	
<b>Measure 112</b> <b>“Setting up of</b> <b>young farmers”</b>	Yes and I have received funds	21	38	59
	Yes, but I haven’t received funds	0	3	3
	No, but I want to apply	10	39	49
	No, and I do not want to apply	44	252	296
	Yes, but I have not received funds yet	2	3	5
<b>Total</b>		<b>77</b>	<b>335</b>	<b>412</b>

Source: Own data processing using SPSS programme

Measure 112 “Setting up young farmers” is associated (based on Pearson’s Chi square values: 16.222, df = 4, sig=0.003) with the creation of alliances with other enterprises. Out of 420 persons, 8 responded “I do not know/I do not want to answer”, so they were not included in the analyses.

Relationships with larger firms can help rural beekeeping enterprises link to urban and international markets. In addition to fostering growth through expanded business opportunities, alliances can lead to improved firm capabilities by providing opportunities for learning and innovation such as when larger beekeeping enterprises assist small beekeeping exploitations with quality management, maintenance, and technical issues. Strengthening the economic role of Romanian apiculture is very important, since it contributes to the economic development of rural areas, and provides healthy, excellent quality apiary products for the population. The decision to export these products requires that the beekeepers should be able to cope with the uncertainty associated with the introduction of their products to a new market. Precise market information is a significant prerequisite in order to conduct a viable business abroad. In order to expand internationally, adequate information on the potential export market is essential. In order to be interested in the export of their products, beekeepers need to be constantly informed. Moreover, so as to be able to export their products, beekeepers need to possess efficient techniques and equipment, means can only be obtained through financing.

Table 6

Measure 112 “Setting up of young farmers” \* Export of products Crosstabulation

		Export of products		Total
		Yes	No	
<b>Measure 112</b> <b>“Setting up of</b> <b>young farmers”</b>	Yes and I have received funds	30	29	59
	Yes, but I haven’t received funds	1	2	3
	No, but I want to apply	15	34	49
	No, and I do not want to apply	53	242	295
	Yes, but I have not received funds yet	1	4	5
<b>Total</b>		<b>100</b>	<b>311</b>	<b>411</b>

Source: Own data processing using SPSS programme

Measure 112 “Setting up young farmers” is associated (based on Pearson’s Chi square values: 30.257, df = 4, sig=0.000) with the export of products. Out of the whole sample, 23.8% of beekeepers intend to export their products. A number of 9 persons responded “I do not know/I do not want to answer”, so they were not included in the analyses.

The present study reveals the fact that beekeepers who want to start a business are also interested in the export of products. The potential advantages of export include larger markets and potentially high prices. As a large part of beekeepers from the sample (41.90%) produce honey for their own use and sell it just to friends and acquaintances, the export of beekeeping products would imply their transformation into more developed commercial actors.

## **CONCLUSION**

It is well accepted that small businesses are important engines of economic growth and that financing is essential for them to fulfill this critical role. A key function of entrepreneurship in developing economies is precisely to mobilize factors such as capital and specialized labor which might otherwise not be supplied or allocated to activities where there is productivity.

The Romanian beekeeping sector has a lot of potential, but in order to profit from this potential, entrepreneurship needs to be stimulated in the segment of collecting, processing, packaging and marketing of the beekeeping products. For this stimulation to be possible, beekeepers have to be sustained financially. Obtaining European Union funds influences beekeepers to pursue venture creation and to create competitive advantages such as alliances with different enterprises and the export of products. The transformation of the sector from subsistent apiculture to an entrepreneurial one is dependant, among other factors, on financing. In this context, the European Union funds are of extreme importance. Moreover, beekeepers need to be stimulated to produce more by guarantying them that they will be able to sell their products and gain a reasonable profit. In order for the European Union funds, once received, to be managed properly, beekeepers need to have different strategies and production methods so as to be able to create strong alliances and export their products.

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