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DOCTORAL THESIS

ROLE AND IMPORTANCE OF TRADITIONAL PRODUCTS FOR THE SUSTAINABILITY OF RURAL AREAS

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SUMMARY

of the doctoral thesis entitled:

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Traditional products sector is an emerging and continuously developing business area, however it is severely understudied because of an acute lack of data. The Ministry of Agriculture and Rural Development started to keep records of producers in the sector only in 2013, even so it is merely a database of companies that certified traditional products. Many of the traditional products featuring in this database cannot be identified, for lack of proper marketing, and they remain known only locally. Many companies disappear every year from that database because they do not survive on the market. For example, out of the producers who certified products in 2013, only 23 were still active in the sector in 2022.

In this context, we set out to identify relevant companies in the field, evaluate their financial performance and last but not least, to identify their economic and social impact on the rural communities in which they activate. We can therefore state that this research aimed to evaluate the role and importance of the traditional products sector in Romania, on the basis of its contribution to the business environment and workforce, both at local level and within the sector. In order too achieve this, the following objectives were established:

- To identify the way the traditional products are defined at international and national level;
- To summarize the regulatory framework for traditional products at EU and national level;
- To identify mainstream approaches in existing research on the topic;
- To analyse the sector in 2013/2022 and to identify classifications and structure of traditional products (by county, landforms and product categories);

- To evaluate the financial performance of companies in the sector through the benchmarking method and comparisons among the first ten businesses in the sector, among businesses operating with the same category of products and urban/rural comparisons;
- To evaluate the economic and social impact of companies operating in rural areas on the communities in which they activate.

Chapter I, General Aspects of Traditional Products, presents a bibliographic study that explains the concept of „traditional product” from both theoretical and legislative point of view. The second part of the chapter presents documentation on the existing research in the field.

Chapter II, Research Methodology, explains the methodological steps taken, as well as the models and tools that were used. The chapter describes how the databases were built, how the benchmarking grid was designed and how we quantified the role of the companies in the sustainability of rural life.

The applied methodology included: an analysis of data provided by the “National Registry of Traditional Products” and “The Catalogue of Certified Products and activities” (both coordinated by the Ministry of Agriculture, Forests and Rural Development of Romania); an analysis of balance sheets, on the basis of data provided by the Ministry of Finance, which underpinned the computing of the 27 indicators within the 5 categories of indicators (liquidity indicators, risk indicators, performance indicators, business activity indicators, profitability ratios); applying scaling techniques to build a comparative grid to measure financial performance; applying the benchmarking techniques (comparison technique based on setting a company or category of companies as benchmark/point of reference) to compare companies on the basis of the designed scaling grid; in addition, and have also computed the average deviation against the average and against the maximum within the sectors estimating the role of the companies on the basis of their share in the total turnover, profits and number of jobs, starting from data provided by the website topfirme.com.

The personal contribution of the author consisted in elaborating the benchmarking model as a tool in evaluating the performance of companies that registered traditional products, which allows us to show the importance and the role of these companies in the local communities.

Chapter III, Analysis of Traditional Food Products in Romania, aims to set out the classification of traditional products in the agri-food sector in Romania, by category of products, type of residence, landforms and counties.

The analysis followed the progression of traditional products in 2013-2022 and highlighted the structure of the sector in 2022, by category of products, locality and landforms.

In 2013, 171 traditional products were certified. Top places were occupied by: pastrami (17), sausages (20), jam (15), bread (10), fresh pressed curd cheese (9),

smoked pork tenderloin (8), smoked bacon (7), pork belly (6), dried or kneaded curd cheese (6), etc.

Currently there are 735 certified traditional products, as follows: 306 meat products; 134 dairy products; 118 fruit and vegetables-based products; 114 pastry and bakery products; 28 fish products; 29 drinks; 6 other products.

In 2022, only 23 products had been certified since 2013: 5 meat products, 12 fruit and vegetable-based products and 6 bakery products.

In 2022 there were 199 traditional products manufacturers in Romania, 20 out of which had certified products in several categories. 57% out of them, i.e. 113 manufacturers were limited liability companies (LLCs), while 43% belonged to other categories, such as individual companies, family-owned companies, non-governmental organisations, cooperatives, etc.

Chapter IV, Efficiency of the Traditional Products Sector in Romania, includes the performance analysis for LLCs manufacturing traditional products, by applying the benchmarking technique on the basis of a designed grid that scales the annual financial results (data corresponding to the fiscal year 2021). The analysis was applied to 103 companies; 78 out of them registered profit in 2021; 36 companies among the profitable ones are located in rural areas.

Applying the benchmarking analysis to the top ten companies and to each of the five categories of products individually allowed us to identify, for less performant companies, necessary measures to reduce the gap compared to the company/companies set as benchmark (reduce expenditures, invest capital to increase liquidity, pay suppliers and repay debt, reduce debt levels, etc.).

In **Chapter V, The Importance of the Traditional Products Sector in Rural Areas**, we have also estimated the economic and social impact of the 36 LLCs located in rural areas on the local communities. The 36 LLCs located in rural areas had in 2021 a turnover of 538 million lei (59.6% of the total turnover of these companies), a net profit of 464.0 million lei (59.1% of the total) and provided 1545 jobs (36.4% of the total). These companies contribute thus to the economic weight of the sector by almost 60%, and bring added value to local economies from 36 rural localities in 22 counties. In 2021, there companies registered 140 products (53 in the meat sector, 17 in the dairy sector, 41 in the fruit and vegetables sector, 20 in the bakery sector and 6 in the fish sector).

The estimated impact was as follows:

- Meat products sector (12 companies and 53 traditional products) - a contribution of 426 mil. lei turnover and 40 mil. lei profit; 1015 jobs; they contribute 11.5% to the revenues of the communities, 10.4% to profits and 13% to the number of jobs in those localities.
- Dairy products sector (8 companies and 17 traditional products) - a contribution of 48 mil. lei turnover and 1.9 mil. lei profit; 213 jobs; they

contribute 12% to the revenues of the communities, approx. 4% to profits and 17.3% to the number of jobs in those localities.

- Fruit- and vegetables-based products sector (7 companies and 41 traditional products) - a contribution of 14.6 mil. lei turnover and 1.3 mil. lei profit; 140 jobs; they contribute only 1% to the revenues of the communities, approx. 0.9% to profits and 4.2% to the number of jobs in those localities.
- Fish products sector (1 company and 6 traditional products) - a contribution of 31.7 mil. lei turnover and 0.7 mil. lei profit; 67 jobs; they contribute 7.8% to the revenues of the communities 1.9% to profits and 7.7% to the number of jobs in those localities.
- Bakery products sector (8 companies and 20 traditional products) - a contribution of 16.7 mil. lei turnover and 2.3 mil. lei profit; 110 jobs; they contribute 1.1% to the revenues of the communities 0.8% to profits and 2.7% to the number of jobs in those localities.

The last chapter of this paperwork sets out conclusions and general recommendations that resulted from this research.