

## MAIN INDEPENDENT PARTICIPANTS IN THE ROMANIAN RURAL TRADE

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**Abstract:**

*The paper deals with aspects regarding the privately held companies participating in the Romanian rural trade, by including two such examples, namely Agroland and Cargill, the advantages and disadvantages of their positioning on the rural market, the portfolio of products and services that these companies offer to their customers.*

**Keywords:** rural trade, privately held companies, sustainable development

**JEL classification:** Q01, Q13

There is a series of companies on the rural market, which operate, by combining, some of them, business in the rural environment, with business conducted in the urban environment. Although the vast majority of rural traders are small companies, with a few employees or RST's (Registered Sole Trader), which perform trading activities in the household or in its vicinity, there are larger companies or multinational companies that have seized the opportunity of conducting business in the Romanian rural environment. Below, we present two such companies.

Agroland is the largest network of agrishops in the country; it was established in Timișoara, in 1997, and in less than three years, it has become the largest distributor of day-old chicks and animal feed in the west of the country. In the following years, the company has diversified its product range, geared toward complementary products and aiming at complete customer satisfaction.

The "territorial expansion" has gained momentum since 2006, when Agroland has adopted the development through the collaborative franchise system, this way managing to open shops in 29 counties of Banat, Oltenia, Muntenia, Dobrogea and Moldova. The counties where the company has opened shops are: Arad, Argeș, Bacău, Botoșani Brăila, Bucharest, Caraș-Severin, Călărași, Constanța, Dâmbovița, Galați, Giurgiu, Florida, Hunedoara, Ialomița, Iași, Ilfov, Mehedinți, Neamț, Olt, Prahova, Suceava, Virginia, Timiș, Tulcea, Vaslui, Vâlcea and Vrancea<sup>114</sup>.

Presently, the Agroland network has 165 shops in county capitals, small towns and rural settlements.

The company's mission, its main objective, is to encourage a greater number of family households, especially in rural areas, but not only, to produce food within the household. Agroland provides the breeders with bird hybrids, perfectly adapted to growth in the household system, as well as natural feed, without added flour, meat or bones, without hormones and without drugs and antibiotics in excess. The result is a high quality meat, with an authentic taste, as well as high in protein, potassium, phosphorus and very low water content and fat (virtually, no cholesterol).<sup>115</sup>

Day-old chicks, which the company trades, are: turkey poult, broilers, laying pullets, young mixed breed, goslings and ducklings, quail and guinea fowl. Hybrid

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<sup>114</sup> Internal data

<sup>115</sup> www.agroland.ro

breeds are specialized in various productions and are chosen according to customer preferences, which benefit from egg hybrids, meat hybrids or hybrids with mixed characteristics (meat, eggs). Delivery is made based on orders made in advance and with appropriate biosecurity conditions. Day-old chicks are delivered by means of authorized cars, and are accompanied by veterinary documentation, declaration of conformity and notice accompanying the goods, transportation notice, according to veterinary standards and rules in force.

Agroland has been dealing, with enthusiasm, for over 15 years, with the sale of day-old chicks, suitable quality food, depending on age and species, and accessories for heating, watering and feeding. The company provides its customers with breeding instructions, made according to the species they are interested in, ultimately aiming at growth and development of poultry in as many households, this activity proving to bring satisfaction, as well as being profitable and uncomplicated. The customers that supply themselves with their raw materials (chickens, animal feed and the necessary breeding technology) from many Agroland shops, breed between 200-300 heads and, thus, deliver meat from various bird species to the urban environment.

The management of Agroland intends to provide passionate small farmers, as well as prospective buyers of such products, obtained in these mini farms, with a specialized website that will allow immediate and direct contact between the two categories, namely producers (supply) and consumers (demand).

Another range of products, offered for sale by the company, includes animal feed: sheep feed, rabbit feed, cattle feed, feed for pigs and poultry feed. Agroland states that over 400,000 customers come, every year, to purchase these types of animal feed.

Although adapted for their use in the household, given the intensive aspect of the recipes on which the feed products are manufactured, these feed products, which are sold in Agroland shops, have a high yield in production, the results being noticeable in the breeding process of cattle, pigs, sheep, birds or rabbits. Meat, eggs or milk are of higher quality than the products obtained in large agro-industrial farms.

"We are among the few companies that sell special animal feed for farmers, who want to make a small business from farming. In addition to economic efficiency, animal feed have the advantage that they are "clean", without added hormones, meat meal, various growth stimulators or other dangerous substances, for human or animal health. Obviously, taste and appearance of meat and eggs are at the highest quality settings, successfully competing with the ones from "grandma's" household, as we can all remember from our childhood."<sup>116</sup>

Depending on the specifics of each household, partly, Agroland customers can use animal feed in concentrated or granular form, mixed with cereals they have in their own households, in packs of 5, 10, 25 or 30 kg, with various available types, for different age groups and different animal species.

Because Agroland customers have households where, in addition to occupations related to animal husbandry, also practice the cultivation of land, in Agroland shops, they can find flower and vegetable seeds, as well as forage plant seeds and grain, for various soil types and a wide range of varieties. The increased quantities of seed sold, selected and offered in Agroland shops, show the high satisfaction level of buyers, towards the products offered.

In 2012, Agroland had a varied offer of sunflower seeds, alfalfa, corn (Romanian and foreign varieties), etc..

Agroland shops also offer a wide range of garden products, flower seeds and bulbs (gladiolus bulbs, Canna bulbs, begonia bulbs, dahlia bulbs, freesia bulbs, crocus

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<sup>116</sup> [www.agroland.ro](http://www.agroland.ro)

bulbs, tulip bulbs, daffodils bulbs, hyacinth bulbs, lily bulbs, etc.), shrubs (blackberry, raspberry, gooseberry and currant), cuttings of vines (table and wine), cuttings of roses (rose hybrids and small trees type hybrids), seedlings of fruit trees (apple, pear, walnuts, quince, nectarine, peach, plum, cherry, apricot), spray pumps, decorative materials, nutritional flower solutions, anti-rodent mesh, earth, flower pots, etc.

As mentioned above, Agroland has decided to expand by means of the franchise system. The Agroland franchise is designed for entrepreneurs, who want a long-term deal, with a relatively low level of investment. This method is addressed to people with entrepreneurial spirit, who are ready to accept challenges, and work well in a team.

In what regards the Agroland franchisee partner profile, one must have: communication skills, ability to be labor intensive, management and business management skills.<sup>117</sup>

A person wanting to become a member of the Agroland shop network, should have a space (either own property or rented), with an area of 50-100 m<sup>2</sup>, equipped with parking spaces, with access for heavy vehicles. The total area should be divided into: selling and storage spaces. The selling space will be arranged according to the Agroland Franchise Manual.

Once the trading space is found, the future partner will have to have between 7000-10000 Euros, in order to start the business: 3,000 Euros representing the franchise fee, between 500-2000 Euros being required for organizing the place by the franchisor, and the difference, between 3500-5000 Euros, representing a reserve fund for possible contingencies.

The supply in the shops is done by the franchisor, with own transport, based on pre-orders, coming from the shop. In addition, for products with low turnover, authorized providers will make the delivery.

As for the trading system, the Agroland franchise takes into account the incomes of their customers, knowing their requirements, the moments in which they undertake acquisitions, as well as the average amount of their purchase.

Reasons why customers prefer Agroland shops:<sup>118</sup>

- courteous serving manner;
- clean and pleasant appearance of the shop;
- free counseling;
- suitable product prices;
- guaranteed quality of products offered for sale;
- diverse range of agricultural and livestock products, tailored to the needs of a household, etc..

To prospective franchise partners, Agroland offers training in the following areas: customer relationship management, sales, network communication, financial and economic concepts, the company providing the franchisor with an Agroland Franchise Manual, in which aspects regarding the "know-how" of the entire business, within the Agroland shops, are presented.

The company invests, annually, between 100,000 and 150,000 Euros in the development of the shops, transportation and storage, and the IT department as well.

In January 2012, Agroland opened two shops, out of the four planned to open that year, in Râmnicu Vâlcea and Băilești; in March, it opened two in Craiova (third shop in the city) and Tg. Jiu (second in the town), two new warehouses in Roman and

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<sup>117</sup> [www.agroland.ro](http://www.agroland.ro)

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Ploiești, completed a new ERP system (mobile management system using barcodes) and bought three cars for transport.<sup>119</sup>

The four shops opened so far, represent 30% of the total investments for 2012. Agroland is working with 55 franchise partners, who manage 149 units.

"According to the trend in Europe, more and more educated and middle to high-income people want to know their food manufacturer, or, at least, they claim for it to be in their vicinity. They no longer accept to buy food "made" thousands of miles away, in "plants" they do not know anything about. This is about poultry, pork, beef, as well as vegetables or fruits.

Right here, Agroland is supporting small producers with products, technologies and know-how in order to meet this increased demand. Animal feed, day-old chicks, seeds and seedlings of fruit trees, marketed by the Agroland network is suitable for small business development in this area, says Horia Cardoso, CEO of Agroland." He said the company he runs is only able to reduce or, in the worst case, not increase prices on any product category, as most raw materials were purchased in the fall of 2011.

In 2012, the company planned of opening 20 shops, including four of their own and the rest franchised. The ambitious development plans of the company are based on the positive business development in 2011, when it increased by 25%, compared to 2010, with nearly 10 million Euros.

The portfolio of products, represented by the animal feed, contributed with over half of the products marketed by the company. Agroland makes its presence felt in 29 counties, with 156 shops, and it distributes a range of over 250 different products.

For the period 2012-2014, Agroland aims at doubling the turnover.

In 2011, the Agroland team increased by five, and six other newcomers joined the company, in January 2012, the total number of employees rising, this way, to 53.<sup>120</sup>

The Romanian rural population does not fall, usually, to the attention of companies, but they are the main customers of the business, established by Horia Cardoso, namely Agroland. The entrepreneur, who possesses the largest network of shops for small farmers, has tried his entrepreneurial talent in many areas of business and even Agroland had, often, a winding route. The economic crisis was, however, for the company, an opportunity, and lately, the business grew, sales increasing by about 25%, from one year to another.

Because an overwhelming part of the rural households live on self-consumption, whose incomes were mainly supplemented by money from relatives, living or working abroad, the latter category, over the years, being dismissed, action had to be taken on their part.

Looked upon from the boulevards of the capital, the changes may seem too subtle. Nevertheless, Horia Cardoso, the entrepreneur who controls the largest retail chain addressed to farmers, felt the change in behavior: people now spend more on seed, animal feed or livestock, investments that can ensure not only food, as well as a gain from the sale of the surplus.<sup>121</sup>

Another very important name on the market in rural areas is the multinational company, Cargill, better known in our country for a different brand, Purina. Cargill has completed the acquisition of Provimi, the well-known international company that provides animal feed. By highlighting the existing strengths in the two companies, Cargill is founded, a leading global market able to offer the most comprehensive range of products, capabilities and services in the field of animal nutrition.

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<sup>119</sup> <http://www.businessmagazin.ro/actualitate/agroland-grabeste-finalizarea-investitiilor-9216628>

<sup>120</sup> <http://www.agroromania.ro>

<sup>121</sup> [www.businessmagazin.ro](http://www.businessmagazin.ro)

Cargill is the international provider of food, agricultural and risk management services. Founded in 1865, the privately held company has 138,000 employees in 63 countries.

Cargill has operated in our country since 1996, initially, with only business activities, without having assets until 2000, when the first silo had been purchased. The company is headquartered in Bucharest; it has 23 locations and over 900 employees across the country.

The company is operating in multiple lines of business on the local market:<sup>122</sup>

- marketing of cereals, oilseeds and soy grits;
- distribution of seeds, fertilizers and pesticides;
- production and bottling of bottled oils;
- production and sale of refined vegetable oils;
- warehousing services in silos;
- distribution of sweeteners;
- distribution of industrial starch;
- production of animal feed.

Cargill Romania is an integral part of Cargill Europe, based in Geneva. The management of Cargill trading activities in Romania is made through the Bucharest office.

As always, the company strives to be close to farmers and provide solutions in all technological stages, with strong partnerships made with suppliers of inputs for agriculture, logistics structures, proximity of farms, storage facilities. The company is a distributor of over 50 corn hybrids and sunflower hybrids and more than 20 varieties of rape. Cargill sells, at present, over 50 plant protection products, a wide range of fertilizers.

With the help of regional sales representatives, the company wants to develop and increase yields through distribution of seeds, fertilizers and pesticides. Cargill distributes seeds, fertilizer and pesticides, in a wider range, from 2008, although it began to function in 2001, on the market for agricultural inputs. Most fertilizers and plant protection products were delivered directly to the farm, thus giving the advantage to farmers, to purchase and receive, in due time, the goods that they need.

By 2009, Cargill opened the distribution of pesticides, fertilizers and seeds, 3 warehouses, namely Smârdioasa, in Teleorman County, Bucu, in Ialomița County and Brăila, in Brăila County.

Counties in which Cargill deals with the active distribution of inputs for agriculture are: Galați, Brăila, Călărași, Ialomița, Ilfo, Dolj, Teleorman, Giurgiu, and neighboring counties.

In our country, the company operates 18 silos, with a total capacity of over half a million tons, farmers interested in providing the best storage services.

The Cargill Division of Animal Nutrition provides customized business solutions to the partners in Europe, America and Asia, in the production of animal feed.

In our country, Cargill Animal Nutrition sells, manufactures and distributes the brands Purina, Cargill and LNB. The main product line is addressed to the following segments: sheep, swine, beef cattle, dairy goats, rabbits, birds, fish and venison.

Quality assurance is an important aspect of the animal nutrition division of the company, to ensure high standards in our country; Cargill Animal Nutrition Ltd. is accredited with CAHACCP - Codex Alimentarius Hazard Analysis and Critical Control Point.

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<sup>122</sup> [www.cargill.ro](http://www.cargill.ro)

Research laboratories, as well as its innovative technologies are present worldwide, which helps the company to provide fast and accurate solutions to its buyers.

The most important center of research and innovation of Cargill Animal Nutrition is the Elk River Research Center, based in the U.S., in the city of Minneapolis. Elk River Research Center operates scientific programs and coordinates the entire work of the global research network, in close collaboration with the most popular universities in the world.<sup>123</sup>

Another strategic field of activity consists in the consulting services for farms, where experienced specialists develop solutions that contribute to their development. The experts offer solutions for efficient management of farms, high productivity and best results in financial terms for their clients. These specialists create feed recipes, with high tech programs, according to the conditions on the farm (the farm forage quality, availability, animal health and genetics) and the desired production (quantity and quality of milk and meat, and so on).

One of the four major brands, manufactured and marketed globally by Cargill Animal Nutrition Division, is Purina. The Purina brand entered, with usage rights, within the Cargill portfolio, at the same time with the Agribrands takeover, in 2001.

Purina entered the Romanian market in 2008; it offers superior nutritional solutions for animal husbandry. Purina offers products and services of the highest quality, for animals, through its animal feed distributors.

To help small and medium-sized farms, there was continuous work for the development of the national distribution network. Every day, there are increasingly more red shops, modern shops, owned by the Purina chain, providing feed products and services in our country.

At this time, the counties with Purina dealers are: Arad, Alba, Argeş, Bacău, Bihor, Bistriţa Năsăud, Botoşani, Brăila, Braşov, Bucureşti, Buzău, Călăraşi, Caraş-Severin, Cluj, Constanţa, Covasna, Dâmboviţa, Dolj, Galaţi, Giurgiu, Gorj, Harghita, Hunedoara, Ialomiţa, Iaşi, Ilfov, Maramureş, Mehedinţi, Mureş, Neamţ, Olt, Prahova, Satu-Mare, Sălaj, Sibiu, Suceava, Teleorman, Tulcea, Timiş, Vâlcea, Vaslui and Vrancea.

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<sup>123</sup> [www.purinafuraje.ro](http://www.purinafuraje.ro)