

## THE MEASURING OF THE ECONOMIC PERFORMANCES OF AGRICULTURAL EXPLOITATIONS

### MĂSURAREA PERFORMANTELOR ECONOMICE ALE EXPLOATAȚIILOR AGRICOLE

Elena TONEA, Corina RUȘEȚ

*Agricultural and Veterinary University of the Banat, Timișoara, Romania  
Corresponding author: Elena TONEA, e-mail elenatonea@yahoo.com*

**Abstract:** *The functioning of an agricultural exploitation has, of course, finality. Each exploitation boss, enterpriser or manager wants the exploitation results, and, implicitly, his/her results, successive to the exploitation administration, to be as good as possible, like a reward for the material, human and managerial efforts exerted during a production cycle or during a period of time, like an agricultural year.*

**Rezumat:** *Funcționarea unei exploatații agricole are, desigur, o anumită finalitate. Fiecare șef de exploatație, întreprinzător sau manager dorește ca realizările exploatației și, implicit, ale sale, în urma activității de gestionare a acesteia, să fie cât mai bune, ca o răsplata a eforturilor materiale, umane și manageriale depuse într-un ciclu de producție sau în decursul unei perioade de timp, cum ar fi un an agricol.*

**Key words:** *economic performances, management, decisions*  
**Cuvinte cheie:** *performanțe economice, management, decizii*

#### INTRODUCTION

The measuring of the economic performances belongs to the function control-evaluation of management. The control shows in what measure the final product achieved corresponds to the pre-established objectives. If it is applied during activity, it allows the intervention, through decisions, to correct the errors.

Correction decisions correspond, actually, to some regulation activities. These activities are to be performed by managers or other staff, exploitation bosses, tenants, enterprisers in the field of agricultural business.

Their intervention through proper decisions maintains the order within the “agricultural exploitation” system and assures, when in need, its re-organization.

Obviously, in the case of the system specified above, it is necessary to mention adequately the possibilities of the persons above, with managerial attributions and competences, to manage in the regulation activities.

There are numerous situations (disorganization, the apparition of some well-known diseases and pests, with some available fighting methods, soil’s deficiency in some nutritive substances, etc.) in which the regulatory role may lead to good results (measures of re-organization, the diseases and pests are fought against, chemical and natural fertilizers are applied, etc.).

But if we consider the specific of the agricultural production, especially the vegetal one developed in open area (excepting the truck farming practiced in industrial greenhouses), we should specify then the perturbations which can appear within the system, overtake the material and human possibilities or even the knowledge (the apparition of a new disease) of those who

administrate the exploitation, making the regulation to be difficult or even impossible. In such situations, the system may get to breaking up, its functionality cannot be assured anymore, and the objectives cannot be accomplished.

This state of fact does not represent a problem and a preoccupation only for farmers, on the whole, but for the whole society, which is interested in the assurance of food safety for its population.

Fighting against drought, for example, which sometimes is severe, causing great losses, flood, earth flows, etc. requires efforts from the owner farmers, and also the intervention of the public power, through different modalities.

These situations, and also other ones, require the apparition of social partnership and solidarity.

### **POSSIBILITIES FOR MEASURING THE AGRICULTURAL EXPLOITATIONS` PRODUCTION AND ECONOMIC RESULTS**

It is not easy at all to measure the results and to determine in an accurate way the unit's level of economic performances.

The problems get more complex if we refer to agriculture, which includes a lot of types and forms of exploitations, family farms do not keep a minimal bookkeeping, there are numerous activity differentiating factors, the production structures are various and do not suppose comparisons, product quality is very different, there are regional differentiations between expenses and work intake, etc.

With all these, in order to overtake the dead end, the approaches should be carried out per types of exploitations.

Of course that, in the case of the agricultural corporations, of the private commercial companies and even of farms, which organize their accountancy according to the available legislation, the "outcomes" (results) are determined according to the existent information: incomes, turnover, added value, gross and net profit, etc.

With their help and with the implication of other elements, too, we may calculate numerous indicators and rates for the "inputs", which will make evident the patrimonial-financial situation and the economic efficiency specific to each company's activity.

When we talk about family agricultural exploitations, the evaluation of production and economic results is much more complex, because they have a series of particularities: they do not organize at least a minimal bookkeeping, the activity is usually carried out by family members (who are not employed), they use the external labour force just occasionally, their production structures are heterogamous (the comparisons may be hardly carried out), product quality is different, there are different modalities of selling the production excess, leading to the problem of prices for the determination of incomes, etc.

All these trouble the elaboration of a methodology required by the accurate calculation of the final exploitation results, which should reflect the reality as properly as possible.

In the absence of different types of information, which would be used to know the approximate family agricultural exploitations` results, the researches are carried out relying on exploitation samples.

So, in order to determine the average yield in field crop, in a certain location, we should constitute a family exploitation sample (individual households). The number of households comprised within this sample must represent 10-15% of the total agricultural area from that location.

Reporting the total yield obtained in the selected area to the total cropped area, we may achieve the average yield per hectare. Questionnaires may be carried out, with specific issues, in the field of animal breeding, too.

Of course that yield has its own significance, but the economic results are the most important. Such approaches are, according to the studies undertaken in the E.U. agricultural exploitations, rather complex and they require an ample methodology and the participation of some experts in this field.

In the case of family exploitations, the results are synthesized into the *gross margin*. For this, we should gather information concerning incomes and expenses.

It is necessary to get methodological explanations for expense classification into groups (special – proportional and un-proportional and general costs – variable and fix).

Moreover, we should question if we should determine the gross margin related to all product amounts or just to the sold ones. In the last case, some difficulties caused by the establishment of the corresponding expense part may occur.

If we take into consideration a commercial exploitation, then the things seem simplified, because its degree of development allows the bookkeeping evidence.

The economic state, and only it, characterizing the Romanian family exploitations trouble the process of results assessment, although it is a necessity. As necessary is the coordination of an exploitation to keep, with simple means, evidence including expenses and achievements. This process will develop, during time, along with exploitation consolidation.

The results allow the carrying out of assessments concerning agricultural exploitations' economic power, their degree of consolidation, which would favour the development of a durable agriculture and their amount within the general development. Moreover, the effective performances may be compared to those pre-established by programs.

With consideration to the well-fundament elements, we may create possibilities of observing if the exploitation has been administrated properly, if its activities have been chosen according to requirements and if the resources have been allocated according to the economic principles. The observation of deviations reveals the existence of some causes, which must be identified.

Especially when the deviations are negative, it is very necessary to know what causes have generated them in order to intervene with regulatory measures in the same managerial cycle or at least in the following cycle. In such a way, we would remove disfunctionalities and maintain the chances of achieving the desired economic performances.

Gross margin ranges depending on time and exploitation. It is useful when choosing the structure of the activity field, when the production is directed towards market (see problems concerning "production structure" and "crop structure", as components of production system in plant crop).

The synthetic results may be also used in the fundamentation and orientation of some agricultural policy measures. Starting with the results, we may select those exploitations which require support. It is about the exploitations having a certain degree of consolidation, with large

crop areas or big livestock, which are oriented to a modern resource administration, organize a minimal bookkeeping and carry out their activity according to a program directly related to market demand.

So, exploitations become stronger and stronger and have greater possibilities of penetrating the economy with product amounts which should satisfy various demands, through networks which will create and develop.

Meanwhile, exploitations purchase production factors and various goods necessary for the family.

With both modalities, namely by “injecting” products to processing industries and by purchasing production factors and various goods, the effect of “agricultural training” gets amplified, exerting a beneficial effect upon all who are involved (farmers, distributors, processors, consumers) and for the national economy.

#### **USE OF PRODUCTION AND ECONOMIC RESULTS IN DIAGNOSIS-ANALYSES**

The results and the control exerted may be also used in the diagnosis-analyses carried out upon the economic state of various exploitation types (commercial companies, agricultural companies, etc.).

Information, in the case of these companies, is much richer and rigorously assured, being able to meet the analyses` requirements and the decisional process, on the whole.

The theory and practice include many diagnosis types: general, partial, of specialty, of results, of perspective, of ambiance, of assessment, etc. Of course that production and economic results favour the utilization of the diagnosis of results and of assessment.

The diagnosis of results is related to the carrying out of a profound analysis upon the results achieved during the analyzed period, or the results are compared to those achieved in the previous years.

The comparison may be also done with the objectives aimed at, because they represent a real “reference point”, especially when they are accurately elaborated, reality-based. In this case, the negative deviations show that the activity has not developed properly.

A bit similar to the diagnosis of results, the diagnosis of assessment starts from the same points. The results, submitted to analysis, are reported to objectives.

The conclusions drawn and the information achieved, on the whole, may be used in the elaboration and strengthening of the objectives set for the following period, while in the case of the diagnosis of results we formulate recommendations for the straightening of the situation in the diagnosed area or of society, as a whole.

The objectives may belong to a production program, aiming at a one year period, or to a shorter period or a strategic plan, or maybe to a strategy elaborated for society adaptation to the economic environment in which it develops.

The role played by the diagnosis-analysis requires a development concordant with the exigencies needed by such a process, finding out solutions for the different problems that may appear, concerning: analysis preparation, data collecting, the analysis itself, conclusions and elaboration of recommendations for the improvement of the social economic background.

During the preparation period, we should select the field submitted to investigation, starting with the observable disfunctionalities and, especially, with the unsatisfactory results achieved at the end of a time sequence (production cycle, agricultural year, etc.).

Some symptoms foreseeing possible low results whose causes are, sometimes, very deep, may appear even during the activity development.

This step represents also the period in which we should select the team (we need experts with different specializations, for an integrated system approach; in some cases, the analysis may be done by one person) and the means and methods for its development.

The field must be well identified and delimited, because it will influence everything what happens subsequently, during analysis.

Data collection assures the “raw matter” which will be submitted to processing and interpretation. Data will be selected in such a way that they will characterize the field submitted to analysis.

Their truthfulness, beside the processing way (using methods that observe phenomena evolution) conditions the formulation of a correct conclusion. Data processing may be performed with the simplest means and up to the utilization of PC.

Analysis is very important, because the real assessment of the field’s condition depends on it (“the diagnosis”), and also the utility of the remedies proposed (recommendations).

The theory concerning these issues offers a series of methods of analysis: phenomena observation in dynamics, comparisons, calculation of some indices, and the establishment of the influence exerted through the method of chance substitutions, etc.

Phenomena will be looked deep in their privacy, and also through the correlations between them. We may notice influences reciprocally exerted and, implicitly, the effects exerted by a phenomena change upon the one (ones) with which inter-relates.

The analysis will consider phenomena tendencies and the causality of their occurrence along time. It is necessary to give up the constative analysis and phenomena description, because they do not help at all the investigation process and the formulation of measures for situation straightening.

## **CONCLUSIONS**

Relying on the conclusions drawn, we may make recommendations for result improvement. The recommendations will be oriented towards the removal of causes that have determined the difficult situation within the field analyzed.

Usually, in this case we should consider the fact that, finally, starting with these recommendations, we will take measures of amplification of what is positive (decisions of development) and, especially, of removal of what is negative (decisions of correction).

Privatization of a commercial company, and also the straightening of the other ones, in order to improve their economic performances, requires the carrying out of diagnosis-analyses, in order to act according to the reality.

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