

Exploring Key Stakeholders in the Romanian Food Chain: An Analysis of European Influences and Local Dynamics

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ARTICLE INFO	ABSTRACT
<p><i>Article history:</i> Received: June 24, 2024 Accepted: July 28, 2024 Published: August 01, 2024</p> <p><i>JEL Classification:</i> Q13, Q18</p> <p><i>Keywords:</i> Romanian food chain, Key stakeholders, European influences, Local dynamics, Sustainable food governance</p>	<p>This paper's main aim is to analyze and explore the roles and interactions of key stakeholders within the Romanian food chain, analyzing how European Union policies and local dynamics influence these stakeholders. The paper underscores the importance of understanding these interactions for effective policymaking and sustainable development in the agri-food sector. This research presents a synthesis of the existing scientific literature on stakeholders in food supply chains, with a particular focus on Romania. It reviews the current state of knowledge on the distinctive dynamics of the Romanian food chain and contributes to the theoretical frameworks on stakeholder engagement and governance in agri-food systems. By bridging European-level policies with local realities, this paper offers valuable recommendations for policymakers, researchers, and practitioners aimed at promoting sustainable development in the Romanian food sector.</p>

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1. Introduction

Stakeholders within agri-food systems are an essential aspect of agricultural economics and policy-making, particularly within the Romanian context. Stakeholders in agri-food systems encompass a wide range of participants whose roles and interactions significantly influence food production, distribution, and consumption dynamics. Stakeholder theory, initially developed by Freeman (1999), provides a comprehensive framework for understanding the diverse roles and impacts of various groups within any sector, including agri-food (Parmar et al., 2010). According to Freeman, stakeholders are individuals or groups who can affect or are affected by the achievement of an organization's objectives. This theory is pivotal in agri-food research as it helps to reveal the mutual dependencies and influence mechanisms among stakeholders, guiding the development of more effective management and policy strategies. Clarkson (1995) extends this framework by emphasizing the importance of managing stakeholder relationships to enhance corporate social performance.

In the Romanian agri-food system, key stakeholders include farmers, processors, retailers, consumers, and government agencies, each playing unique and interdependent roles within the food supply chain. Zaharia (2021) specifically identifies these groups as pivotal to the functioning of Romania's food sector. This interplay among these stakeholders significantly shapes market outcomes and policy effectiveness. Farmers, for instance, are not just producers but are also influenced by policies and market demands.

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Also, processors and retailers bridge the gap between production and consumption, and government agencies regulate and facilitate market operations. Understanding these roles and their interactions provides crucial insights into the challenges and opportunities within the agri-food system, influencing everything from local agricultural practices to national food security strategies as is highlighted by Berti & Mulligan, (2016) or Migliorini, & Wezel, (2017).

This article aims to analyze the stakeholders within the Romanian food chain, providing a case study on how local systems are influenced by internal dynamics and external pressures, such as European Union policies and global market trends. The research methodology includes a detailed examination of existing literature, stakeholder interviews, and data analysis to explore these influences. The results highlight the critical roles played by various stakeholders and the impact of EU policies on local practices, providing a comprehensive understanding of the interconnectedness between local and global factors in shaping the Romanian agri-food sector. In the first section of the article, the topic is explored through a review of existing literature. This is followed by an in-depth analysis of the food chain dynamics in Romania in the context of the European Union. Finally, the article presents a summary of its key findings.

2. Literature Review

The literature on contemporary food chains is characterized by a diversity of perspectives and a broad scope of subjects, including power relationships and collaborative practices in supply chain management, the function of logistics, the diversity of actors involved in the chain, and the difficulties posed by disruptions to the chain. This literature review explores the key stakeholders within the Romanian food chain, emphasizing European influences and local responses.

Nakandala et al. (2020) investigate the dynamics within urban local fresh food systems, underlining the significance of balanced power relations and horizontal collaborations among retailers. Clark et al. (2020) examines the concept of value-added in the food and agriculture sectors, stressing the necessity for a clear definition to avoid ambiguous findings.

Manning (2020) differentiates between compliance-based and integrity-based organizational climates within the food supply chain, discussing the complexities of fostering supply chain compliance while acknowledging the role of deviant behavior in spurring innovation. Paciarotti et al. (2021) concentrate on the logistics of short food supply chains, aiming to deepen the understanding of logistics in enhancing the efficiency and sustainability of these chains. Anderson et al. (2021) analyze the disruptions in food supply chains caused by the COVID-19 pandemic, with a particular focus on the protein sector. Rao et al. (2021) provides a systematic review of European private food safety standards within global agri-food supply chains, suggesting that these standards shape operations to meet consumer demands while enabling the retail sector to wield significant influence.

As Dumitru et al., (2021) argues the Romanian food chain is a complex network involving various stakeholders, influenced by both local dynamics and European policies. Romanian farmers are essential in the food chain, facing challenges and opportunities under European Union (EU) agricultural policies. Ecological farming has seen significant growth due to EU support. According to Jurjescu et al. (2021), the number of registered ecological farmers and areas under ecological cultivation have increased, driven by EU subsidies and the Common Agricultural Policy (CAP)(2021). Moreover, food processing companies in Romania are significantly influenced by EU regulations that set high standards for food safety, quality, and environmental impact. Butu et al., (2020) analyzes the challenges and adaptations within the food processing industry during the COVID-19 pandemic. The study highlights the accelerated adoption of digital technologies and online retailing, driven by consumer demand and regulatory requirements. In addition to this, retailers and distributors play a pivotal role in the Romanian food chain, connecting producers with consumers. Havadi-Nagy (2021) highlights the benefits of alternative food networks in fostering closer relationships between producers and consumers, enhancing trust, and

promoting local food products. These networks contribute to rural development by supporting small-scale farmers and aligning with EU sustainability goals.

Another important stakeholder is the consumer and Romanian consumers' preferences and behaviors are influenced by both local traditions and European food culture. Bei, (2021) examines consumer attitudes towards local and European food products. They find that Romanian consumers appreciate both the quality standards of European products and the traditional aspects of local products. This dual preference encourages the promotion of local products that meet European standards to enhance consumer trust and satisfaction. Additionally, government policies at both national and European levels play a critical role in shaping the Romanian food chain. Jităreanu et al. (2022) highlights the impact of the EU organic action plan on ecological agriculture certification in Romania. The study reveals that the EU's organic action plan has incentivized Romanian farmers to adopt organic practices. However, the authors emphasize the need for more robust national policies and support systems to ensure sustainability and competitiveness. Along the same line, Feher (et al., 2021) emphasizes the importance of aligning national policies with EU regulations to ensure a cohesive food security strategy. Government support is deemed crucial for improving infrastructure, providing financial assistance to farmers, and promoting sustainable practices.

Local dynamics are influenced by policies such as The Common Agricultural Policy (CAP) by funding and setting standards for sustainability and productivity. Feher (et al., 2020) reveal the positive effects of CAP on environmental protection, resource efficiency, and rural development while highlighting areas needing further improvement. Another impacting factor for Romania is the European Green deal (2021). This policy aims to make the EU's economy sustainable, significantly affecting the Romanian food chain. Vegheș & Strâmbu-Dima, (2022) discusses the challenges and opportunities presented by the Green Deal, emphasizing the need for innovation and investment in green technologies to meet its objectives. On the other hand, traditional agricultural practices in Romania coexist with modern, EU-influenced methods, creating a unique blend of old and new. Stanciu, (2020) emphasizes the resilience of traditional practices and their role in maintaining biodiversity and cultural heritage in Romanian agriculture. He argues that preserving these practices is essential for sustainable rural development. European directives encompass a wide range of regulations, including food safety standards, pesticide use, and animal welfare, which directly impact how products are grown, processed, and sold in local and international markets.

The dual impact of the CAP and EU regulations redefines interactions among local stakeholders by altering traditional practices and introducing new paradigms of agricultural and economic activities (Andrei et al., 2020). These changes are pivotal as they dictate the strategic decisions of Romanian food producers, processors, and retailers, aligning them more closely with broader European standards and practices. Such alignment, while beneficial in terms of standardization and market access, also presents challenges in terms of local adaptation and the need for continuous learning and innovation to meet evolving standards (Florea et al., 2021). Overall, the influence of EU policies and directives on Romanian food chains exemplifies the complex interplay between local practices and international standards. As Romania continues to integrate more deeply with EU structures, the ongoing adjustments within local food systems highlight both the challenges and opportunities presented by such a dynamic regulatory environment. To sum up, these regulations are designed to create a uniform standard across all member states to facilitate trade and ensure food safety and quality for consumers. The direct impact of these regulations is observed in the adaptation processes that local producers and processors must undergo to comply with stringent EU standards. This often requires significant investment in modernizing equipment, training staff, and redesigning production processes, which in turn influences the overall structure and dynamics of the food chain in Romania. Compliance with these regulations not only ensures market access but also enhances competitiveness and reputation in international markets.

2. Data and methodology

This study focuses on analyzing European influences and local dynamics, while exploring the key stakeholders within the Romanian food chain. The objective of the research methodology employed in carrying out this study is to provide a synoptic and nuanced understanding of the Romanian food chain, taking into account both European influences and local factors. The main objective was to identify and analyze the key transformations of farms as primary suppliers in the supply chain, taking into account the interplay between European influences and local dynamics. The methodology proposed for this study employs quantitative approaches to perform descriptive statistics, summarizing data sets and identifying trends, in order to provide a general understanding framework of the roles, relationships, and impacts in the field. The data employed in this study were obtained from the Eurostat database (Eurostat, 2022) and are primarily concerned with two key areas: gross value added from agricultural production and the distribution of agricultural holdings and farmland in terms of size and temporal change. The specific data points and trends are outlined in detail.

3. Romania’s Influences and Dynamics in the context of the European Union

According to Eurostat (2022), one-third of all EU farms were located in Romania in 2016. This indicates a high density of agricultural activity in Romania relative to other EU countries (see Figure 1). The prevalence of many small farms in the EU, particularly in Romania, suggests a predominantly small-scale, possibly subsistence-focused agricultural sector. These small farms often operate at a level that primarily supports the livelihood of individual families or local communities, rather than producing large surpluses for broader markets.

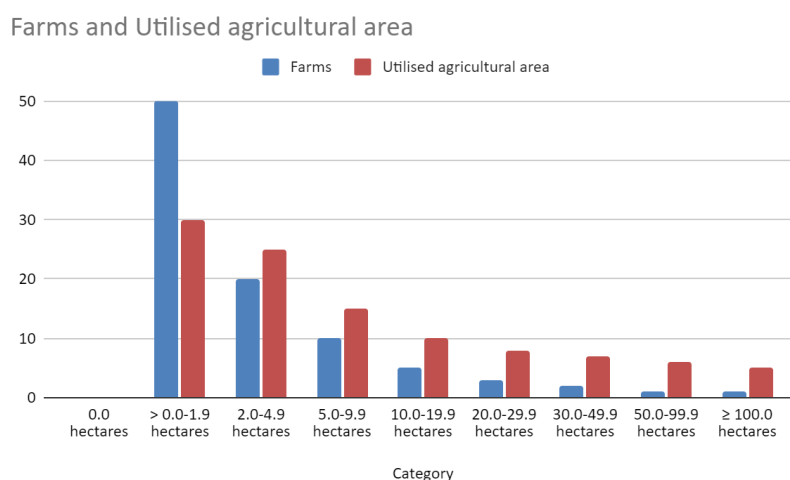


Figure 1. Distribution of farms and farmland by farm size (% share of total, EU)

Source: Eurostat, 2022

The dominance of small farms in Romania can lead to fragmented agricultural production. This fragmentation may result in inefficiencies in terms of economies of scale and distribution logistics, potentially impacting the availability and price stability of food products within the country. The presence of many small farms may benefit local food chains by providing fresh, locally-produced food. However, the limited capacity and reach of such farms might restrict their ability to significantly influence broader market prices or availability, particularly in urban areas. Smaller farms are often more vulnerable to market fluctuations, changes in subsidy policies, and economic downturns compared to larger operations, which can absorb costs more effectively. This vulnerability can lead to instability in the food supply chain, affecting both producers and consumers. Looking at the EU context, there was a

significant reduction in the number of farms across the EU, predominantly among farms smaller than 5 hectares, between 2005 and 2016 (Figure 2). However, there was growth in the number of very large farms (100 hectares or more). This trend towards consolidation and larger farms suggests a move towards more industrialized agriculture, which can lead to more efficient production and potentially lower food prices. However, it can also lead to challenges such as reduced biodiversity, increased environmental impact, and the marginalization of smallholder farmers.

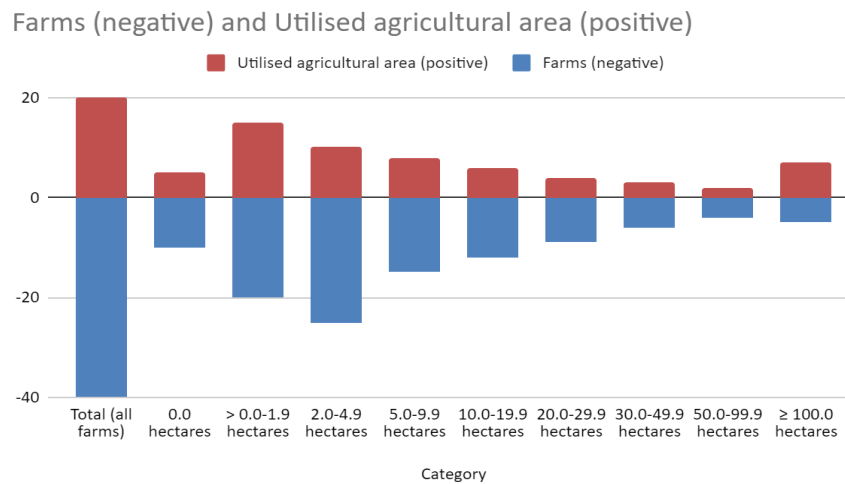


Figure 2. Overall change in farms and farmland (% EU, 2005-2016)

Source: Eurostat, 2022

The second figure describes a fragmented agricultural structure dominated by small farms in Romania, with a significant number of very small farms (> 0.0-1.9 hectares). Despite their numbers, small farms contribute less to the overall utilized agricultural area compared to medium and large farms. Larger farms, while fewer in number, account for a substantial portion of the agricultural land, indicating their critical role in the agricultural sector's productivity. This distribution highlights the challenges and opportunities within the agricultural sector, emphasizing the need for policies that support both small and large-scale farming operations to enhance overall agricultural efficiency and sustainability.

Given Romania's large share of small farms, these trends could significantly impact its agricultural sector and food supply chain. The consolidation trend might pressure small farmers in Romania, potentially leading to a decrease in their number over time. This could transform the structure of Romania's agricultural sector, potentially improving efficiency but also posing risks to rural communities and traditional farming practices. Understanding how these EU-wide trends impact Romania specifically requires considering both the economic and social dimensions of agriculture in Romania. The dominance of small farms poses unique challenges and opportunities for the country's food supply chain, shaping everything from local economies to national food security. Understanding the intricacies of local dynamics and practices within the Romanian food chain is essential to comprehending how national and European influences shape agricultural practices. As it is argued in literature (Popescu, & Andrei, 2011; Alexandri, & Luca, 2014; Chivu et al., 2020; Stępień et al., 2023), the Romanian agricultural sector is marked by a unique interplay between traditional practices and modern demands, influenced significantly by local cultural and economic factors, as well as by broader regulatory frameworks.

In 2020, the agricultural industry accounted for 1.3% of the EU's overall GDP, which was consistent with the ratio recorded in 2005. However, the agricultural industry in Romania had a notably higher contribution to its GDP at 3.8%, which was among the highest in the EU. The ratio of value added from

agriculture to GDP in Romania was significantly higher than the EU average and much higher than in most other Member States. Only Greece had a comparable ratio at 3.5%, and the next highest was Bulgaria at 2.6%. Despite the high ratio in 2020, Romania (along with Bulgaria) experienced the largest decreases in this ratio from 2005 to 2020, each dropping by 3.8 percentage points. This suggests a reduction in the relative importance of agriculture to Romania's economy over this period, despite its still substantial contribution compared to other EU countries (Figure 3).

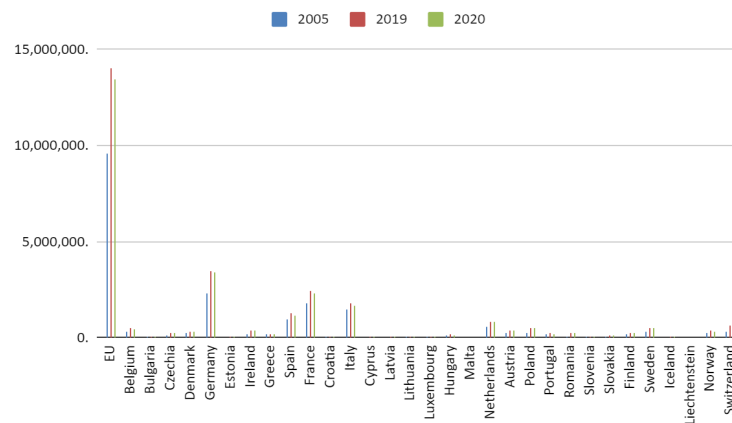


Figure 3. Gross value added from agriculture (in million Euros, 2005 and 2020)

Source: Eurostat, 2022

The high ratio in Romania highlights the significant economic role agriculture plays within the country. This is indicative of a large portion of the population being involved in or dependent on agricultural activities, which is typical for economies with substantial rural areas and farming communities. The substantial contribution of agriculture to Romania's GDP suggests that fluctuations in this sector could have pronounced impacts on the broader economy, including the stability of food supply chains. The agricultural sector likely has a strong influence on food prices, availability, and food security in Romania. The notable decrease in the ratio of agriculture's contribution to GDP may reflect challenges such as declining productivity, urbanization, migration from rural areas, or shifts towards other sectors of the economy. This trend could affect the traditional food chain in Romania by potentially leading to less investment in agriculture, adoption of new technologies, or changes in land use patterns. Considering the larger decreases and high current ratios, Romania's agricultural sector might be undergoing significant transitions, affecting everything from local food production and distribution practices to international trade dynamics within the EU. Overall, the agricultural sector's substantial contribution to Romania's GDP, despite its decreasing trend, underscores its pivotal role in the country's food chain and economic stability. This situation calls for strategic planning and policy interventions to support and potentially transform this crucial sector in the face of evolving economic and environmental conditions.

4. Conclusion

This article highlights the intricate interactions between many stakeholders, emphasizing the significant impact of European organizations in addition to active local involvement. In addition to illustrating the current state of the Romanian food market, the distribution of roles and market shares among local producers, retailers, consumers, and European multinational corporations also demonstrates how the agricultural and retail sectors are changing due to both internal and external pressures. The theoretical framework of stakeholder participation in agri-food systems has benefited greatly from this study. Practically speaking, the results emphasize how crucial it is to align local customs with European regulations in order to promote a sustainable food chain that is advantageous to all parties involved.

Policymakers and entrepreneurs must have a thorough understanding of the power and market share distribution among stakeholders in order to make well-informed decisions that support economic stability, guarantee food security, and raise the competitiveness of Romanian goods both domestically and globally.

Further study endeavors may concentrate on the dynamics among stakeholders in alternative dynamic political and economic environments. Such studies could look at how market dynamics and stakeholder responsibilities in the Romanian food chain are impacted by shifts in EU policy, worldwide economic trends, and technological developments. Longitudinal research might also look at how these processes affect Romania's rural development, sustainability, and economic resilience over the long run. In summary, this study contributes to our understanding of the current structure of the Romanian food chain and lays the groundwork for future investigations aimed at clarifying the intricacies of the interplay between local and global factors in agri-food systems. Stakeholders will surely benefit from the theoretical and practical insights gained from this analysis as they navigate the opportunities and difficulties brought about by the fast-shifting agriculture and food industry environments.

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