CONSIDERATIONS ON THE STRUCTURE AND ORGANIZATION CIRCUIT IN DISTRIBUTION AND CAPITALIZATION, CHARACTERISTIC FOR THE INTEGRATED UNITS IN THE PRODUCT CHAIN *"GRAIN AND PROCESSED GRAIN PRODUCTS"*

CONSIDERAŢII PRIVIND STRUCTURA ŞI ORGANIZAREA CIRCUITULUI ÎN PROCESUL DE DISTRIBUTIE ŞI VALORIFICARE CARACTERISTIC UNITĂŢILOR INTEGRATE DIN CADRUL FILIEREI DE PRODUS "*CEREALE ŞI PRODUSE PROCESATE DIN CEREALE"*

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Abstract: *In this paper, is considering the product chain "**grain and processed grain products**" on components, and in the whole form of a SWOT analysis, as sub-domain performance is assessed not only on the amount of each component on chain performance but take into account the synergistic effect induced by realising the chain activity. The authors propose the design of an organizational structure, as a flux characteristic for the integrated units in the product chain "grain and processed grain products", to achieve the highest level of efficiency, from first stage,when the operators have large areas of land and continuing with storage, transport, processing lines and packaging, retail stores.*

Keywords*: distribution, chain, integrated units, cereals*

INTRODUCTION

The study of distribution and capitalization process in the product chain involves a SWOT analysis of performance at each stage and the finding of solutions to increase market competitiveness.

A growing number of consumers wants to be informed not only on product content and method of preparation and consumption, but also on its origin, how it is produced and passed through stages, from seed stage or row material, until the finished product.

In Romania, the area planted with cereals has declined in 2001-2008, with an average of approx. 20%. However, our country realized 3% of total

wheat production of the European Union, 2.2% of the barley and over 13% of total corn production.

The supply of cereal grains is dispersed and irregular quantitatively.

The volume of production depends on the technical part, and secondly, on the climate and biological conditions which are random, printing these commodity markets in agriculture, a very mobile character. The quantity of a product offer on the sales market depends, first of all on the benefit that it will be realized by the entrepreneur.

The consumption level and structure depends on the overall framework of macroeconomic policies that affect food consumption behavior of people, such as income policy, monetary policy, social policies etc.

Factors outside of economic, food consumption of the population depends on: demographic variables (educational level, age structure population and degree of aging, the employment rate of the population, etc.), social variables (degree of urbanization, infrastructure of rural area, occupational diversification, access to information, etc.), other variables (geographical location, religion, dietary habits, psychological factors related to individual tastes and preferences).

Wheat is a basic product in human food consumption, especially in Romania, where the consumption of cereals and cereal products is higher than the European average. For example, in 2007, the consumption of cereals in Romania was of 206.9 kg per capita, compared to 117.4 kg per capita in the European Union.

The market information system on cereals sector is organized under the law by the Ministry of Agriculture and Rural Development, in collaboration with the grain and processed products council.

Grain processing is done in compliance with requirements for protecting public health and consumer interests in relation to food and feed for animals.

The market prices of cereals are freely determined by negotiation between partners on the sector.

When market conditions require, the Ministry of Agriculture and Rural Development by the Agency for Payments and Intervention for Agriculture, applies the mechanism for the grain market intervention under the law.

In developed countries, agricultural products and food distribution is done through specific channels. This system covers the national territory, products being transported in search of a profitable market.

Currently, in Romania, grain trade is done by SC COMCEREAL SA, National Agency of Agricultural Products as well as other economic agents, immediately after harvest or after a prior conservation.

In the distribution and capitalization circuit of grain are interposed several stages: *reception, storage and conditioning, partitioning on destinations (food consumption, feed, seed, industrial processing, export etc.) preparing for delivery and actual delivery* (1, 3).

In the cereal grain production sector there are many difficulties, among which we mention the following: *increased frequency of natural disasters (drought, floods) in recent years, the mistrust of farmers in crop insurance schemes to mitigate risk, difficult access to credits required for capital insurance, excessive fragmentation of agricultural land, subsistence farming in many farms, the high costs of inputs (**oil, seeds, pesticides, herbicides, fertilizers, spare parts etc**.) resulting in an increased sales prices on cereals, using outdated farming techniques etc.*

Lack of competition has the effect of farmers, shift to other economic activities and migration of rural labor force in urban areas.

After harvest, most farmers store their own grain production usually in inappropriate storage (***they can not provide optimum conditions of storage),*** resulting in heavy losses, or choose its sale on low prices during harvest to entrepreneurs who have approved storages.

A low proportion of grain producers capitalize their production to processing factories (*milling, baking*) or choose the export destination, through intermediaries.

Rental of storage space off the farm involve quite large taxes, which makes producers opt to sell the production at relatively low prices, during the harvest, in return for storage and then sale the grain when the prices are much higher (2, 4, 5, 6).

MATERIAL AND METHOD

The research examined the chain of the product ***"grain and processed grain products"*** based on a SWOT analysis. In this way, it had been identified the main strengths and weaknesses on the chain, and also the

opportunities and possible risks.

To increase the economic efficiency of the entire chain of **"supply - production-distribution- capitalization"**, is proposed for integrated units of the product chain ***"grain and processed grain products"*** an adequate flow for distribution and capitalization, identifying different stages from the system and the relationship formed between them.

RESULTS AND DISCUSSION

Following the SWOT analysis could be highlighted the following aspects:

- **strengths:**

- *the existing food habits that promote a high level of consumption of cereals, flour equivalent;*
- *significant natural potential;*
- *available human resources;*
- *increasing skilled in human resources involved in farm management and processing units;*
- *growth of investment to establish new production facilities and refurbishment the existing ones.*

- **weaknesses:**

- *the instability of annual grain production due to its dependence on climatic conditions;*
- *the costs of inputs for the output of cereals are high, resulting in high prices of finished products;*
- *lack of adequate transportation of agricultural producers;*
- *lack of adequate storages as property of cereal grains growers;*
- *lack of graded grain storage spaces, which lowers the competitiveness compared with the imported products;*
- *structural and logistical lack in storing space;*
- *the existence in the grain processing sector of bad technical and technological facilities;*
- *poor integration between the production stage, the processing and trade, which results in a reduced flow on the market;*

- *poor functioning of the price formation mechanisms on the market.*

- **opportunities:**

- *internal and external consumption of grain have a tendency to increase;*
- *the possibility of pre-contracts the production, so the sale can be secured;*
- *investment opportunities for grain farms, warehouses and processing plants by the National Rural Development Program, and by attracting other sources;*
- *emergence of foreign investors in manufacturing industry and the grain sector with a higher financial strength;*
- *the availability to enter on other foreign markets with grain products.*

- **risks (threats):**

- *extreme weather events (strong frost, drought, heavy rainfall)*
- *economic and financial crisis in recent years;*
- *low income of population which reduces the potential market size of grain and processed grain products;*
- *price volatility in the chain with influence on people's purchasing power;*
- *lack of an effective mechanisms to promote innovation in all stages of the chain;*
- *poor organization of the grain market and the lack of information of domestic producers on export opportunities;*
- *limited possibilities for financing the investments.*

The integration into the product chain "grain and processed grain products" may result in a functional market, able to promote the mechanisms and quality standards applied in the European Union.

The advantages of integration include: *income stability, reduce costs, increase profitability, elimination of financial jams, superior supply capitalization etc.*

The structure in the distribution and capitalization, on the product chain "grain and processed grain products" specific for integrated units

includes the following elements:

- ✓ grain supply;
- ✓ storage, processing and grain storage;
- ✓ grain processing (*combined feed, milling, baking*);
- ✓ trade of finished products.

Among these elements are relations of cooperation, the information flows in both directions. Oversupply of grain is to be sold on the open market (fig. 1).

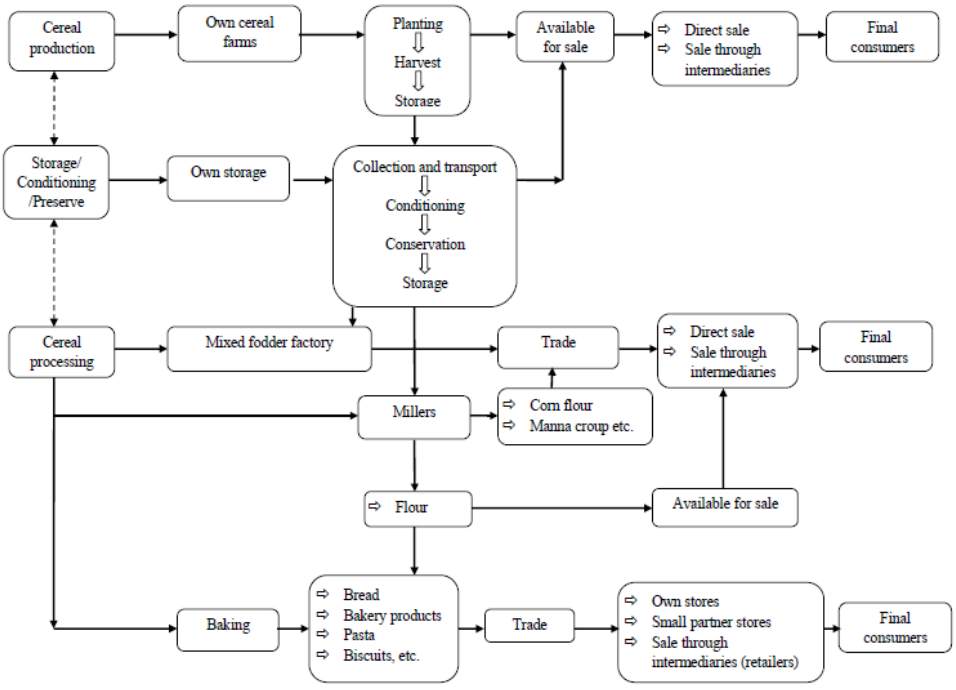


Figure 1- The flow on the structure and organization circuit in distribution and capitalization, characteristic for the integrated units in the product chain ***"grain and processed grain products"***

CONCLUSIONS

1. Cereal grains sector has a complexity and strategic importance easily highlighted when is taking into account the following: *the complex structure of the sector, the primary importance of cereals in the*

diet, the value of feed grain in livestock sector etc. Therefore, the production, distribution and capitalization of grain needs a coherent set of measures directed both at the competitive scope and on infrastructure.

2. In the sector of cereals production are needed to implement **quality policies at process and product level,** to increase profitability and competitiveness on the market.

3. The promotion of **modern forms of producers associations** is imperative in order to achieve economies of scale in the sector, concentration of products and creating a policy of total quality, the introduction of innovations and creation of an advanced storage system.

4. The orientation of grain companies to competitive market requirements, with quality and environmental policies, food safety etc., can create conditions of fluidity, transparency and easy accessibility to the market.

5. The integrated system in distribution and capitalization in the product chain ***"grain and processed grain products"*** can provide superior technical assistance, to help support innovation in manufacturing companies and grain processors, thus strengthening the system of traceability of finished products.

6. Development of relations between actors on the product chain will have positive consequences on the design of a system of *production - processing – trade,* more stable and responsible, in which operators interact with mutual commitment to understanding consumers' needs in order to achieve a stable equilibrium, needed for a superior capitalization of the products on the market.

7. A measure to increase the products competitiveness on the market, is the orientation of grain farmers to niche products, such as: *organic products, certified seed production, procurement of agricultural products for bioethanol production, the development of branded cereal products by major producers and processors units, with the aim to increase the value of products and distinguish them from the competition etc.*

8. The capitalization of grain supply and processed cereal products at a high price, it will be possible by increasing the grain storage capacity, well distributed in the territory, because in this way, it can be reduced the production transport costs and can be used the transport opportunities existing in Romania for grain exports (*the Danube, Black Sea, road and rail infrastructure*).

9. A superior capitalization of cereals can also be obtained through the Bourses. Transactions in goods are made transparently, with guarantee and competitiveness and lead to the formation of a good price in the auction. The price is set from direct confrontation of demand and supply.

Also, the exchange floor organized proceedings, eliminates suspicions held against unregulated market auctions, suspected that bypass the principles of free competition. Another advantage of trading through Bourses is the guarantee of transactions by the state.

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