PROFITABILITY AND EFFICIENCY IN AGRICULTURE

RENTABILITATE ŞI EFICIENŢĂ ÎN AGRICULTURĂ

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Abstract: *Profitability expresses the efficiency of financial and material resources invested in the overall activity of a company. Profitability reflects the final economic efficiency of the whole economic-financial activity.*
The key to a company's profitability is profit, which in its various forms is taken into consideration when determining profitability rates.
In order to express profitability, we use two synthetic indicators, namely: profit and profitability rate.
Economic efficiency is a structural, qualitative concept which relates economic-financial efforts to effects, aiming at increasing decision.

Key words: *profitability, efficiency, profitability threshold, profit*

INTRODUCTION

In an open competitive economy, the constant pursuit of profitability has become a rule.

Profitability can be synthetically defined as the capacity of a company to make a profit, necessary both in order to develop and remunerate shareholders [7].

For a company, this is an essential prerequisite for survival and development.

Profitability expresses the efficiency of financial and material resources invested in the overall activity of a company, measuring the profitability of the allotted means, namely their relative capacity to make a profit. Analyzing profitability means comparing results to the means used in order to achieve them [1].

An activity is profitable if the ratio revenues/expenses is super-unitary and the difference between the two indicators is positive. A certain degree of profitability is necessary for maintaining and increasing the economic potential of the company, as well as raising awareness amongst shareholders, associates, employees, creditors, and the government.

Profitability is the instrument behind making all decisions regarding both the internal management of companies and their relations with business partners, therefore acquiring the quality of being an essential criterion of assessing economic efficiency. Thus, profitability reflects the final economic efficiency of the whole economic-financial activity. Analyzing profitability is an indispensable means of identifying inner resources for improving the final economic efficiency of using resources in a company [2].

The particularities of profitability analysis in agriculture compared to industrial companies mainly regard the formation of revenues in an agricultural company [3].

A rigorous economic profitability assessment of agricultural and non-agricultural products is required, which means that when making decisions regarding growing certain plants, breeding certain animals, as well as producing certain industrial assortments, one must begin with considering the minimum situation indicated by the "profitability threshold" where revenues are at least equal to expenses. Only above this level one might consider making a profit [5].

The profitability threshold is the level of activity or the turnover that a company must reach in order to be able to entirely cover its fixed and variable expenses, the point where it doesn’t make either a loss or a profit.

"The profitability threshold" allows decision-makers to know the minimum volume of production that must be obtained, so that by selling it and by deliveries to certain organizational structures of the agricultural company, an income is obtained that can entirely cover the expenses made.

If the obtained production, respectively the income is higher than those of the "profitability threshold", the company is making a profit, whereas if the situation is the opposite, it will be making a loss [6].

Considering the specifics of agriculture, the "profitability threshold" can be set either per hectare or per animal, either per entire crop or animal breed category. However, it is best to set this profitability threshold per entire crop or breeding category.

The key to a company's profitability is profit, which in its various forms is taken into consideration when determining profitability rates.

In order to express profitability, we use two synthetic indicators, namely: profit - which reflects the absolute value of profitability, being an indicator of its volume, and profitability rate - which reflects the relative value of profitability - being an indicator measuring the extent to which the use of various resources brings a profit.

Profit or benefit is established as a difference between revenues and expenses.

The profitability rate (profit rate) is a relative measure of the extent to which production means are able to make a profit.

Economic efficiency is a structural, qualitative concept which relates economic-financial efforts to effects, aiming at increasing decision-making awareness when it comes to better using resources, increasing competitiveness, providing the necessary and sufficient income to remunerate producers, spacing out over time the necessary resources for the company.

MATERIALS AND METHODS

An important indicator for measuring economic efficiency is the production of the main agricultural goods per capita.

Tabel 1
The production of the main agricultural goods per capita

Crt. no.	Name	m.u.	2000	2005	2009	2009/2000 (+/-)
1.	Cereal grains	kg	467,0	894,6	692,7	225,7
2.	Sunflower	kg	32,5	62,0	51,1	18,6
3.	Sugar beet	kg	29,7	33,7	38,0	8,3
4.	Potatoes	kg	154,7	172,9	186,5	31,8
5.	Vegetables	kg	112,7	167,6	181,7	69
6.	Fruit	kg	58,0	76,2	61,6	3,6
7.	Meat	kg	63,0	69,7	66,3	3,3
8.	Milk	l	230,1	280,3	262,6	32,5
9.	Eggs	piece	255	338	289	34

Source: calculated based on the Statistical Yearbook of Romania, 2001, 2006, 2010

In 2005 compared to 2000 this indicator showed growth for all goods under study. In 2009 compared to 2005 there was growth of the production per capita for sugar beet, potatoes and vegetables, while for cereal grains, sunflower, fruit, meat and eggs there was a reduction in per capita production. The indicator in question showed growth in 2009 compared to 2000 for all goods under study. However, Romania is a lot behind compared to the E.U.

Another indicator of economic efficiency is the yield per hectare and per foraged animal.

Tabel 2
The average production per hectare for main crops

Crt. no.	Name	m.u.	2000	2005	2009	2009/2000 (+/-)
1.	Wheat and rye	kg/ha	3.835	5.336	4.545	710
2.	Corn grains	kg/ha	1.603	3.952	3.409	1.806
3.	Potatoes	kg/ha	12.269	13.078	15.498	3.229
4.	Sugar beet	kg/ha	13.787	28.932	38.296	24.509
5.	Sunflower	kg/ha	821	1.381	1.433	612
6.	Soybeans	kg/ha	594	2.186	1.726	1.132

Source: calculated based on the Statistical Yearbook of Romania, 2001, 2006, 2010

In what concerns the average production per hectare for the main crops, in 2005 we could notice a growth compared to 2000 for all crops under study, while in 2009 compared to 2005 there was a reduction in the production of wheat and rye, corn grains and soybeans, while for potatoes, sugar beet and sunflower there was growth in the average production per hectare.

In 2009 compared to 2000 there was growth in the average production per hectare for all crops under study.

RESULTS AND DISCUSSIONS

High economic efficiency indicates a favorable evolution of economic phenomena and processes, based on labor consumption, as well as a process of improving the development of phenomena and socio-human processes.

Economic optimum is the best way to assess efficiency in a variety of possible alternatives.

Economic efficiency in Romanian agriculture is a lot behind the E.U. average and even behind the average of less developed countries.

Furthermore, the structure of the total agricultural production, where vegetal production holds a large share, indicates an extensive agriculture. Average productions per capita, except for cereals, show an upkeep of significant setbacks compared to the E.U. average.

Every company is interested in making enough profit to remunerate shareholders, to preserve its technical and economic potential, to ensure a rational development according to market evolution and circumstantial tendencies [4].

CONCLUSIONS

Market economy supposes a lot of effort for any agricultural company, on the one hand for rendering profitable all products and organizational structures, and on the other hand for rapidly increasing profitability for each sold product up to reaching the level of competitiveness required by the competitive market at that given time. In order to do that, agricultural companies must mobilize their whole arsenal of internal resources (human, land, technical-material and financial) and direct them towards the factors influencing production profitability.

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