

Profitability - condition of continuity and result of a good governance for quoted Romanian agricultural companies participating at food safety

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Abstract

The current financial crisis has led entities to strengthen governance with correlated actions and progressive development for a better risk management. Anticipation, reducing or eliminating the risks are conditions of efficiency and effectiveness - of the going concern assumptions, which gives a true, sustainable and transparent image for all participants in the social game. This requires management through his instrument - the audit - to offer more than a simple continuity and support scientific methods and modern methods of statistical analysis of the financial risk of bankruptcy. Corroborating these methods and using a well-defined strategic plan, obtained outputs necessary to demonstrate a healthy functioning, efficient and even profitable entity. The aim of this study is to analyze the evolution of profitability for Romanian agricultural firms listed on BSE. In order to find a logical approach and judgment which provides the necessary information for building a model "going concern" useful for agricultural firms in order to check the quality of governance entity, the study was done on a sample of 10 agricultural companies listed on BSE, in 2011-2013 and analyzed the impact of strategic solutions - technology strategy on the profitability of a company in the studied sample, for a period of 5 years from the investment. The survey results indicate an increase in economic efficiency and improving quality of agricultural production, which creates the premise participation in regards to food security to which any agricultural firm must align, having a positive impact on economical performance, product quality and general desideri on food quality of the studied company.

Key words: profitability, risk, continuity, agriculture, food safety

1.INTRODUCTION

Profitability is a *sine qua non* condition for the existence itself of the enterprises¹ and the result of the correlation between management's professionalism, invested economic resources - on the background of scientific - and technical progress and competitive market requirements. All internal and external variables involved in the dynamics of the results, should ensure the entity's financial performance and duration required to demonstrate business continuity.

Business Continuity appears as an absolutely necessary element to ensure financial information. It should be clear for users, why it is considered that an economic entity activity will continue, which are the assumptions that have led to this conclusion and what are the risks that actual events may differ from estimates.

Profitability of an entity should not be separated from the risks that could appear. The scientific purpose of our paper is to emphasize the impact of adoption of strategies to increase the agricultural entities' profitability on their actual economic performance, with direct implications on going concern. Once the continuity of the adopted sustainability strategy is demonstrated, the agricultural firm is actually eliminating its functional risks and especially the bankruptcy. Furthermore, agricultural crops get value and improve agricultural potential at both micro and macro and the availability of food depends on the agrifood sector, on the agricultural trade but also depends on the access to food as a result of the revenue and the purchasing power of the people, of their physical access to food. All of these premises contribute to ensuring food safety, which concept, as we have shown above, has evolved from considerations rather quantitative and economic, toward a definition that will take account of the quality of food and the human dimension. The food safety

¹ Constantin C. Cojocaru, *Financial analysis of agricultural and forestry holdings*, Economic Publishing House, Bucharest, 2000, p. 229

assurance is based on agricultural production and the critical role in ensuring production depends on rational use of resources.

The concept of food safety results in an increase in consumer confidence from foodstuffs. Consumers, on the one hand, and agricultural companies, on the other hand, should be able to understand that the "new parameters" of food safety require additional costs, expenses which are much lower than the social, or health care. It is necessary to achieve a "balance" obtained from optimized costs on the quality of agricultural products in the food chain in order to assure the food safety. Furthermore, globalization recommends and requires to the agricultural companies management to implement the corporate governance so much needed to create values and practices in the food safety. All food industry sectors should be involved in food safety and to make sure that the goal is reached, also the agricultural companies should provide quality agricultural products.

The research is desirable to make a connection between the strategy of increasing the agricultural business - increased and long lasting profitability - minimising/eliminating the risk - the agriculture specific scoring model, all these combined, should provide the „healthy” elements of a good governance of agricultural businesses involved in food safety.

2.LITERATURE REVIEW AND DEVELOPMENT OF WORKING ASSUMPTIONS. PROFITABILITY - PREMISE FOR CONTINUITY, THE REWARD OF THE TAKEN RISK

Efficiency and effectiveness of an entity depend on the management activity quality, on the the establishment of a good governances. Peter Drucker considers that "management is equivalent to the persons that manage". Businesses are in this stage where Peter Drucker's statement is the foundation on which to deploy various pillars: the continuity, the management, the risk, the governance and the audit.

Risk can be understood as representing "the inability of firms to adapt on time and at the lowest cost to environmental changes"².

In another words, risk is "the possibility of obtaining favorable results in future action expressed in probabilistic terms."³

Risk compensation is profit. The higher the risk, the higher the profit is; at low risk, the profit is reduced.

The concept of profit has known in economic theory and practice, many understandings and appreciations defining itself an essential characteristic of any activity is rationality, highlighted by profit.

Starting with merchants and up to modern views emerges the idea that profit is the net income of the company.

The size, structure and dynamics of profits are influenced by management actions, such as: modernization and investment; improving economic goods; scientific organization of labor and production, production flow; improving the weaknesses and threats, taking advantage of the strengths and opportunities that the entity absorbs the external environment.

Profit – entrepreneurs' reward for the taken risk - is a source of investments in the same industry or in new more profitable industries. Benefits should not be regarded only as an expression of economic rationality, but also as an expression of social rationality and ecological rationality.

Profit analysis can provide information regarding the profitability of enterprise. The Economic Dictionary defines profitability as "the ability of a firm to make profits, as positive difference between its incomes from their own activities (turnover) and the costs of manufacturing, marketing and for the transaction itself (costs) "⁴.

Professor Constantin Cojocaru connects the concept of profitability to that of profit by the fact that the profitability reflects the ability of units to make profits as „positive difference between its receipts from their own activities (turnover) and the costs of manufacturing, marketing and for the

² Cristian Păun, Laura Păun, *Country risk*, Economic Publishing House, Bucharest, 1999, p. 18

³ Alexandru Puiu, *International Business Management*, Economic Independence Publishing House, Pitești, 2008

⁴ Coralia Angelescu (coordinator), *The economy Dictionary*, Economic Publishing House, Bucharest, 2001, p. 378

transaction itself (costs) ", that is to say "to cover the costs of its own incomes and also to achieve an income in the form profit"⁵.

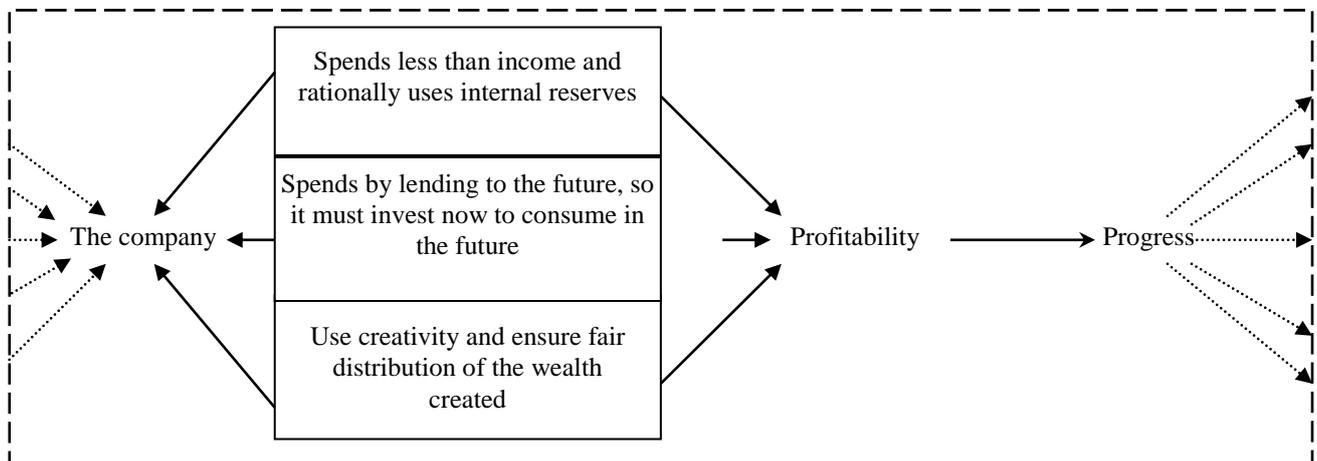
After another author, profitability is "reflecting the company's ability to produce profit, being in a synthetic form the efficiency of the entire economic activity of the enterprise"⁶.

Moreover, profitability is the "visible hand" of progress, equity and environmental protection:

Figure 1

Profitability - the "visible hand" of progress in a world that govern the "invisible hand"

EXTERNAL ENVIRONMENT



Source: Geanina-Gabriela Tudose, „Industry profitability analysis and strategy of milling, baking and pasta products”, PhD Thesis, 2004

In the economy, there are demonstrated two categories of interests, some who generate enterprises 'impulse and other that determine the consumers'⁷ behavior in a limited resources environment, of uncertainty and risks generated by the economic activity. Economic science has established certain general rules and common behavior of producers and customers, respectively the principle of rationality, the principle of optimality, effectiveness principle. Analyzing these principles, solutions are drawn towards which the entities tend and from which the effective and efficient activity will be chosen.

The relationship between risk and profitability has its mark on the conduct of an entity. Moreover, profitability is considered the starting point in ensuring business continuity entity. Concept of business continuity starts from the point that the entity's activity will continue for a period of not less than 12 months from the date of reporting financial statements, under normal conditions of activity, without going into liquidation or bankruptcy. The financial reporting framework provides that annual financial statements shall be drawn up, as a general rule, starting from the hypothesis that the reporting entity will continue its activity in the foreseeable future. In this sense, it is assumed that the entity does not intend or the need to liquidate or to significantly reduce their activity.

The continuity of the activities shall be carried out by a number of different methods applied to the annual financial statements, accounting methods (liquidity analysis, solvency and financial balance) and scoring methods of prediction the bankruptcy. Among the scoring model we can find out Altman model, Conan & Holder model, the model of balance sheets of the Bank France, the method "credit-man" or "security analysis", the model B-Bailesteanu, model A-Ion Anghel. These scoring methods allow the appreciation of bankruptcy risk on the basis of health correlation with a series of significant financial rates.

⁵ Constantin C. Cojocaru, *book read*, p. 228

⁶ Alexandru Gheorghiu, *Economic and financial analysis at the micro level*, Economic Publishing House, Bucharest, 2004, p. 189

⁷ Dumitru Ciucur, Ilie Gavrilă, Constantin Popescu, *Economy-university manual*, Economic Publishing House, Bucharest, 2001, p. 58

3. RESEARCH OBJECTIVES

In order to achieve this approach we followed the objectives:

- deepening the existing scientific support on the profitability - premise for continuity of farming, instrument of the taken risk;
- cost-effectiveness analysis for quoted Romanian agricultural companies;
- literature research on strategies to increase profitability at the company level;
- agricultural companies strategic priorities;
- strategic proposals for the improvement and profitability of quoted Romanian agricultural companies;
- demonstrate viability of technological strategy applied by one of the companies analyzed, with a view to increasing the competitiveness of business and hence of quality agricultural products participating in food safety.

In a modern market economy, the purpose of an entity is subordinated to profit. On the market, agricultural companies are confronted with many risks that put their mark on the profitability. Risk management through a performant management has a significant impact on the economic development of these companies. Mitigate specific risks encountered by agricultural companies can be done by increasing their profitability in accordance with the economic and social objectives. To this end, the literature mentions several priority strategies to increase the profitability of an entity.

4. RESEARCH METHODOLOGY

Starting with the nature of this paper subject and in order to achieve the objectives, the following methodological tools have been used:

- extensive documentary research;
- research net and gross profitability rate developments for Romanian quoted agricultural firms;
- research on the Romanian quoted agricultural companies' strategies to increase their profitability
- research of the economic-financial indicators development to demonstrate effects of the application of technological strategy by one of the studied/analyzed companies.

In order to obtain data and information, there has been used the documentary research of the annual financial statements of the BVB listed agricultural companies, as well as the studies included in articles published in national and international journals in the field, of specialists who made studies.

5. THE ANALYSIS ON THE QUOTED ROMANIAN AGRICULTURAL COMPANIES' PROFITABILITY. PROFITABILITY INCREASE PRIORITY STRATEGIES APPLIED BY THE QUOTED ROMANIAN AGRICULTURAL COMPANIES

Raised problems refer to the following aspects: if the quoted Romanian agricultural companies will carry out their activity at a high profitability level; if they fall in line with the trend of results obtained by agricultural sector in Romania or depart from this production; if participate in food safety.

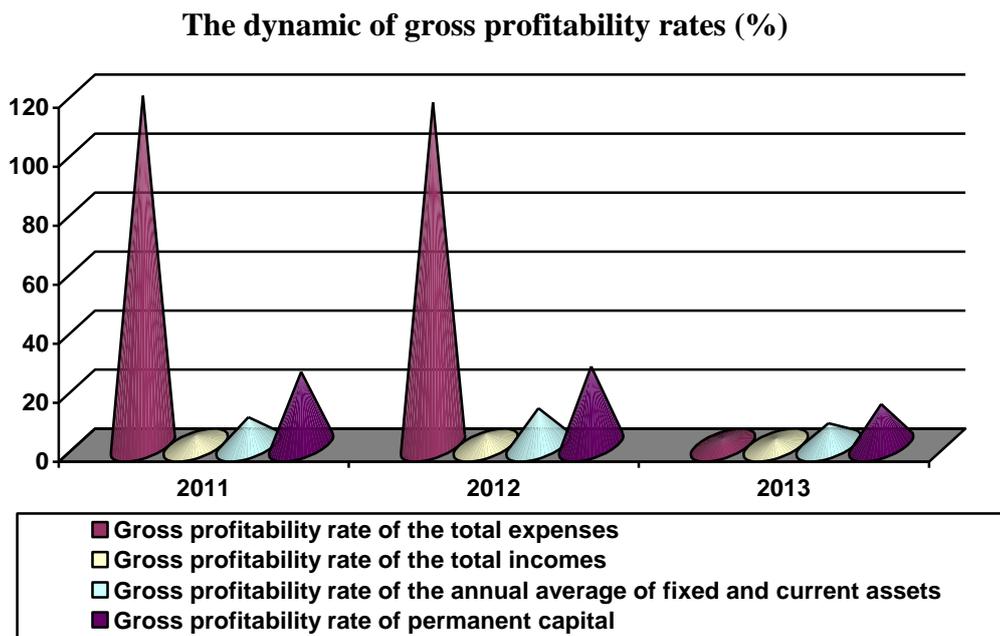
In order to analyze the overall profitability of the firms, there can be observed the dynamic of the gross and net profitability of the total activity.

➤ *Gross profitability of the total activity*

Cost-effectiveness/Gross profitability analysis of the total gross activity comes to uncover general diagnosis of profitability agricultural companies analyzed.

Gross profitability dynamics of the total activity is fully positive under the conditions in which the rate of increase in the gross profitability rate exceeds the rate of increase in the gross profit margin.

Figure 2



Source: „Annual financial statements” on December 31 2012/December 31 2013 of agricultural companies (<http://doingbusiness.ro/financiar/raport/>) and author’s changes

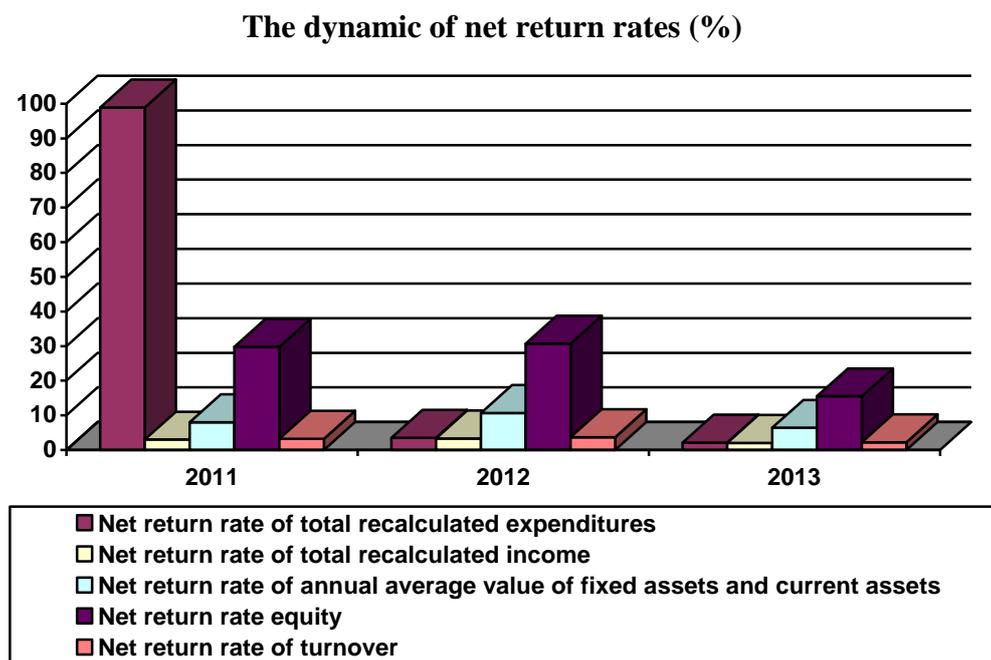
Gross profit in the year 2012 is due to revenue increase. In the case of gross profitability rate pf the total activity we can’t appreciate that its development was positive, but only favourable, in the context of which expenditure dynamic is faster than revenue dynamic in 2012 as compared to 2011.

In 2013 versus 2012, the companies have not taken a judicious strategy to increase the cost-effectiveness, aspect highlighted by the decreasing trend of gross profit margin.

➤ *Net profitability of the total activity*

Dynamic of the net return/net profitability of the total activity is fully positive at the time when the net profit obtained by agricultural companies is as high as possible for different resources consumed or allocated. In this case, the analysis frame might be supplemented with the factor analysis of the net return rate of total activity of agricultural companies (see Figure 3).

Figure 3



Source: „Annual financial statements” on December 31 2012/December 31 2013 of agricultural companies (<http://doingbusiness.ro/financiar/raport/>) and author’s changes

Net profitability of the firms increased in 2012, but the increase may not be considered fully positive. The index R_n is surpassed the index c_h^r , but we can not say the same about V^r index, as it can be seen in Figure 2. Agricultural companies have made considerable efforts to improve technical resources, even if the index A_i+A_c is much smaller than the index R_n , and for the future, the companies have internal resources to improve assets’ rotation which would generate plus value and net result.

The increase in the net profit of the total activity of the firms in 2012 is fully positive under the conditions in which it increases the total expenditure recalculated and the total revenue recomputed.

Net profitability of the firms in the total activity would have registered a positive increase and not only a favourable one, if they would have been able to consume or to allocate resources obtained in conditions of economic efficiency.

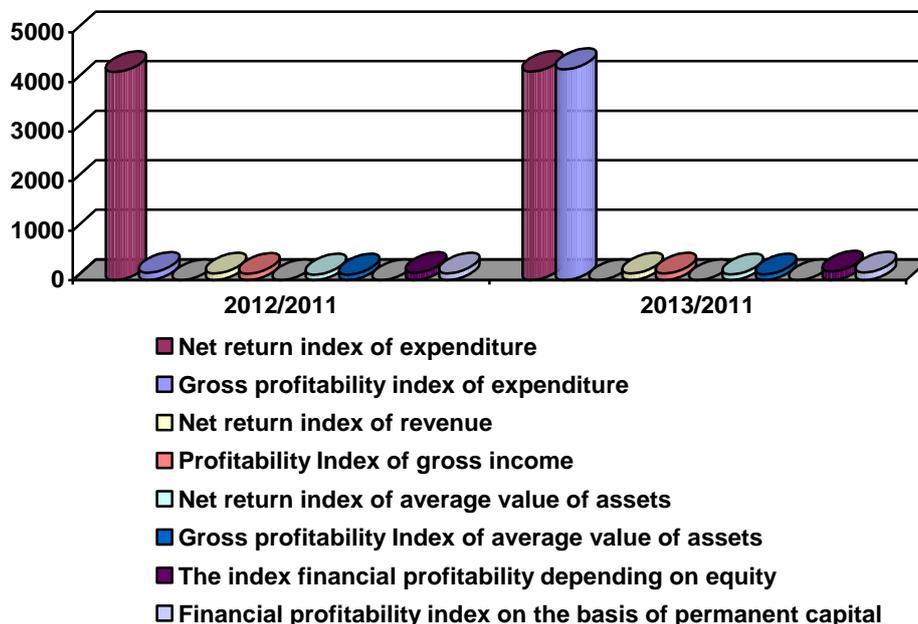
In 2013, the companies obtain an increase in the net return reduced as compared with the year 2011.

The ability of companies to obtain net profit, during the period from 2011 - 2013, has been supported by the following aspects: the increase in economic efficiency of expenditure; increasing the capacity of the agricultural companies to obtain added value; technical investments and modernization projects carried out by firms; the personnel policy taken by the management.

The dynamic of profitability calculated from total activity of the firm, in the period 2011 – 2013, is favourable on the background of a net profitability, which is exceeded by the gross profitability, as it can be seen in Figure 4.

Figure 4

The evolution of net profitability compared with gross profitability of the Romanian quoted agricultural firms



Source: Calculated by the author based on the data presented in Figures 2 and 3

The firms effort on the economic efficiency of expenditure should be further even more sustained, so that in the next few years they achieve a net profitability higher than gross, of the total activity, to provide the required amounts of better remuneration of the factors of production, by the participants in social play, and ultimately to be more attractive to existing and potential investors.

Agricultural companies are organized and conducted for the purpose of carrying out its purposes of quantitative and/or qualitative. To achieve the objectives proposed, in order to find out

the situation, where we want to reach and how can you get to the performance forecast, management should establish a strategic plan.

The priorities of the strategies of agricultural companies, either economic (profit, turnover, market share, labor productivity, product quality), or social (control of pollution, customer satisfaction through quality, the price of the products offered, the permanent suppliers in order to provide quality products, at acceptable prices), have as end result the increase of the profitability in a competitive market and the participation at food safety.

To survive in a competitive environment, companies must mix agricultural profitability with high and sustainable effectiveness.

In setting the objectives on short/medium term and developing the strategies, agricultural companies should take into account a number of risks and uncertainties of Romanian economic environment.

Strategic proposals in order to improve and increase the profitability of quoted Romanian agricultural companies

From a vast range of strategies we can mention: strategies for recovery, consolidation and development.

Among the strategies by which agricultural companies might adopt in order to increase competitive power on the market and to ensure a superior profitability, we mention: technology strategies, strategies based on cost, strategies on the quality, defensive strategy, strategies of stability, growth strategies.

Technological strategies. By technological strategies, agricultural companies achieve competitive advantage: advantage of cost (through changes of technological process); advantage by differentiation (through technological changes of the product). Once with the benefits that technology brings (improvement of the quality of products, meet the new requirements of the market, as well as profitability of agricultural companies) technological strategies also involves many risks⁸: investments in cutting-edge technologies involve considerable expense; the technology must be flexible in order to be able to make the rules of the market economy.

Strategies based on cost. Competitive advantage brought by technology companies owned by agricultural forms involve competitive or differentiated costs. If managers of agricultural companies consider they have a cost advantage in the market on which they carry out their activities, they can apply the following strategies: initial acceptance losses to impose their products; buying a market share; leaving the progressive sector maximising profitability (applicable to agricultural firms, unable to remain on the market, shall be withdrawn).

Quality strategies. In order to keep their position on the markets and win new markets, the agricultural products must be of high quality to join the rigors of food safety. There are numerous quality strategies which have the following objectives: meeting the needs of beneficiaries, removing the causes of poor quality; superior quality products which should maintain and develop sales and thus obtain an increase in the firms' profitability.

Neutral strategy. Agricultural companies procedure should apply strategic growth of sustainability, because: the growth prospects of the market are small; company's concern is to minimize risks, and performance meet the leadership expectations and that is why they don't want to risk initiating development strategies. Among the neutral strategic alternatives (for stability), agricultural companies may opt for: the profit strategy; the strategy of consolidation; the continuity strategy.

A form of the stability strategy is the strategy of harvesting, through which the agricultural companies try to maximize the revenue on short-term, to limit the expenditures and to collect everything that can be obtained from the capitalising of the obtained products.

Defensive strategy. Due objective or subjective causes, the analysed agricultural firms have recorded losses in the past years. In these circumstances, they may adopt the recovering strategy (return to a situation profitable). When economic situation of agricultural companies is poor, in this

⁸ Vasile Dan, Ruxandra Isaic-Maniu, Daniela Mitran, Emil Stan, *Strategies and structures competitive industrial*, Publishing House All, Bucharest, 1997, p. 56

case it should be a strategy of surrender (takeoff) and orientation on remaining activities which may become profitable or to ensure that a certain degree of profitability.

Growth strategies. The management of the agricultural companies, in order to ensure continuity, should implement a strategy for growth.

Regardless of the chosen strategy, the purpose of these steps is to improve and increase, in terms of competition, the profitability of the Romanian agricultural companies quoted. In addition to these strategic approaches, firms may choose strategies whose objectives and priorities aimed at increasing competitive profitability of their activity.

Their strategic procedure may concern economic objectives such as: profitability of work carried out, in a competitive market environment and sustainable development.

The competitiveness strategy of the profitability of agricultural Romanian companies, in order to be viable, must have undergone and combine economic objective - the increase in the cost-effectiveness, in competitive market conditions, with social objectives: customer satisfaction on quality, salary and working conditions of the employees, control of pollution. Furthermore, this must be combined with the technology strategy, based on cost, on the quality, of diversification or concentration, whose final aim is a final efficiency "competitive", closely linked to the social and environmental efficiency.

The viability of these strategies is demonstrated by the fact that one of the companies in the analyzed sample has adopted the technological strategy.

To improve the economic efficiency of agricultural company must take into account the technological improvement.

As we mentioned before, to improve the economic efficiency of the activity, the agricultural company had the scope of technological improvement.

The investment aims the increase of competitiveness through the following:

- *a more efficient use of human resources*, with the purchase of a machine that makes high performance business, providing a more efficient technological process of mechanised work;
- *a more efficient use of the factors of production*, by the carrying-out of an investment thus achieving a quantitative and qualitative increase crop production involved in food safety;

Implementation of the project leads to the following effects:

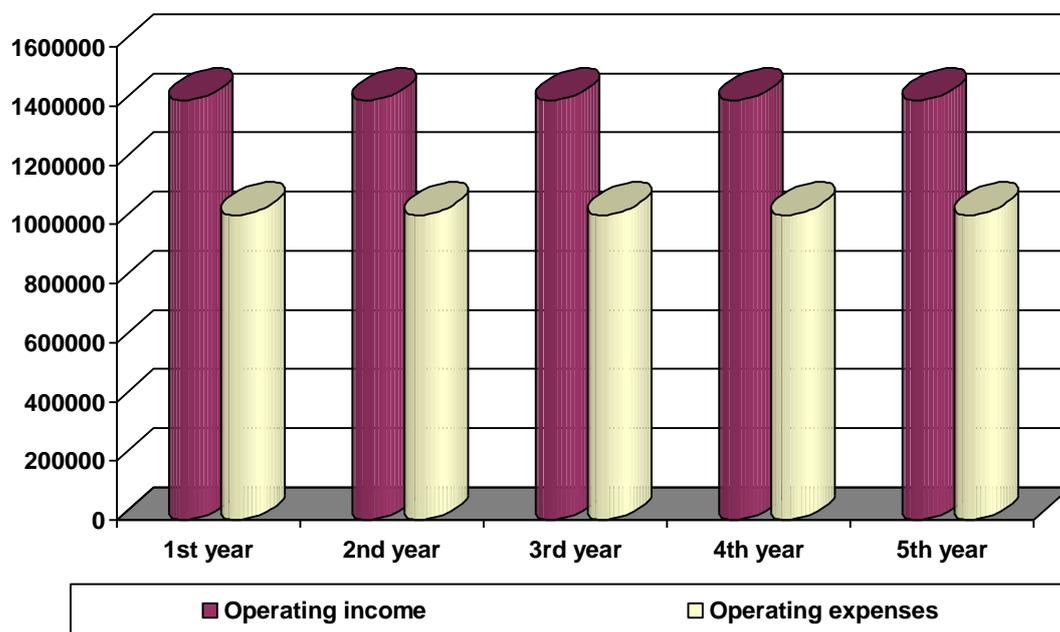
- *adjustment of the level and quality of their production to the requirements of the market.* By purchasing equipment, allowing operations at the optimum execution and implementation of new technologies and higher production quality quantitative impact the growing interest of consumers;
- *increase farm income.* The investment leads to achieving higher yields and default to increase revenue as compared with the previous years implementation;
- *increasing economic viability*, through an increase in production and by default for the revenue, in parallel with the reduction of costs.

Expected effects of the investment described above, for the wheat and sunflower crops are:

1. *The value of the investment* = 214.886 lei, *total value of the project without VAT.*
2. *Operating income* = revenues from current activity shall be calculated on the basis of physical (quantities of the products, the volume of production, services) taking into account the prices/rates per unit of measurement differently to every object of activity;
3. *Operating expenses* = expenses resulting from the implementation of the current activity. These are expenditures related to the operating income;

Figure 5

The dynamics of revenue and operating expenses for the reference period (lei)



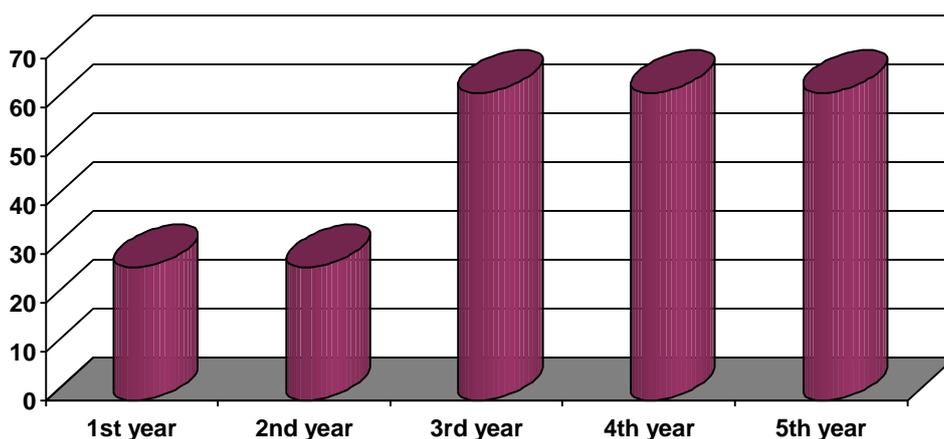
Source: *** Agricultural firm's internal documents

4. Rate of the operating result - must be at least 10% of operating income

The result from current activity– must be positive and the rate of operating result to be at least 10% of their operating income for the evaluated years. Rate of the operating result is calculated as:
$$\text{operating result} / \text{operating income} \times 100$$

Figure 6

The dynamics rate of operating profit (%)



Source: *** Agricultural firm's internal documents

5. Recovery time of investment = 1,1688 years – must be not more than 12 years. It is an indicator that expresses the return on investment (expressed in years). Shall be calculated in the following way:

$$Dr = \frac{\text{the_value_of_the_investment}}{\left(\sum_5^1 (\text{net_cash_flow_updated}) + \sum_{12}^6 \text{cash_flow_from_operating_updated}\right) / 12}$$

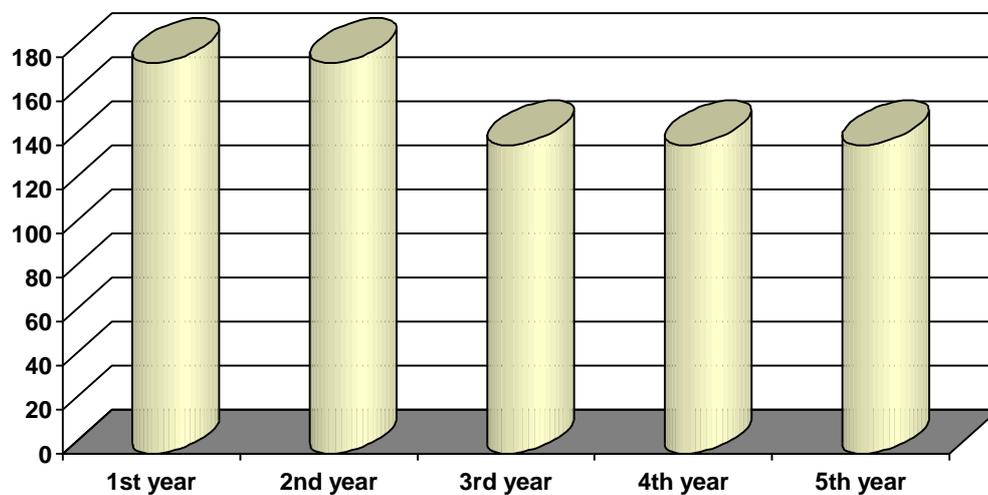
where: It is considered that in the 6th to 12th year, the cash-flows from the operations shall be equal to cash-flow in the service of the 5th year.

6. *Invested capital return rate* - Should be at least 5% for evaluated years

$$= \frac{\text{operating_flow}}{\text{the_value_of_the_investment}} \times 100$$

Figure 7

The dynamic of the profitability rate of the invested capital (%)

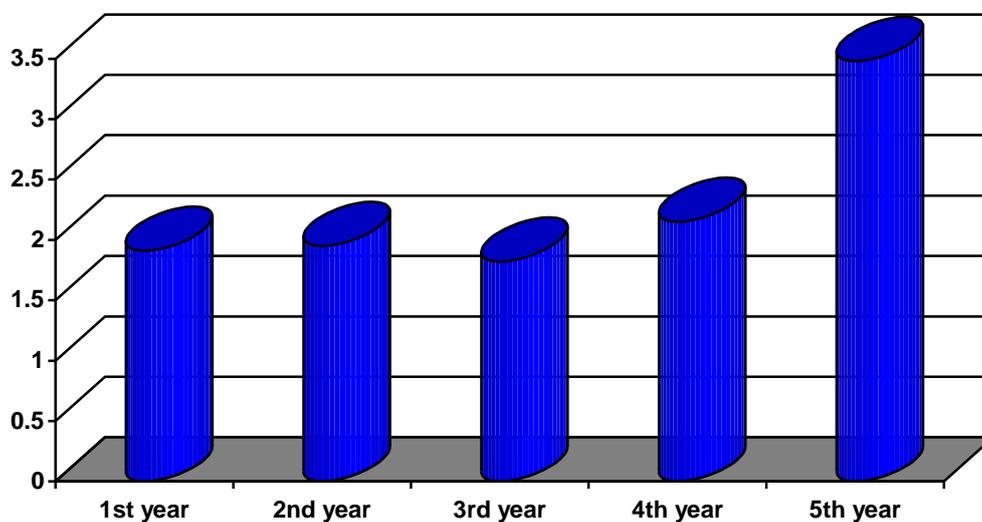


Source: *** Agricultural firm's internal documents

7. *Coverage rate by cash flow* = Cash Flow from operating activity / (interest + leasing payments + reimbursed debts) – must be $\geq 1,2$, for evaluated years:

Figure 8

Rate of dynamic coverage by cash flow



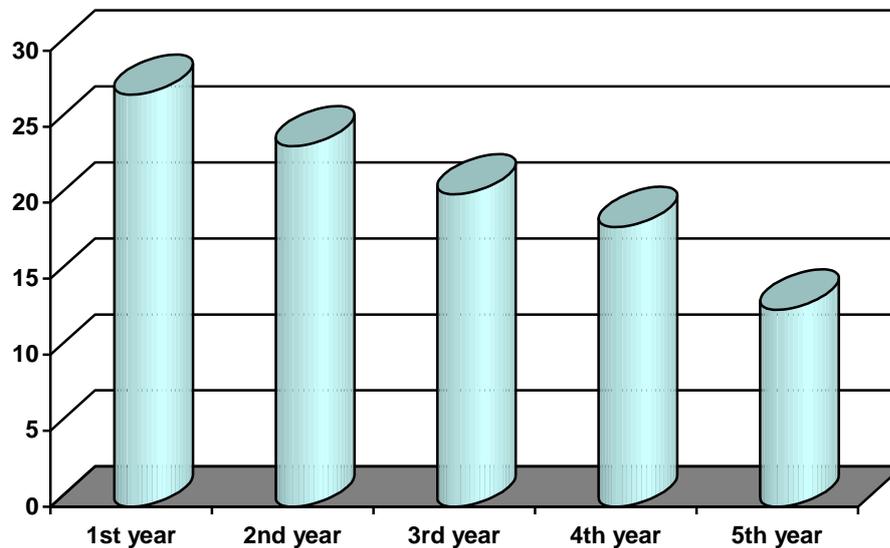
Source: *** Agricultural firm's internal documents

8. Borrowing rate in the medium and long term – it must be less than 60% for the evaluated years:

$$= \frac{\text{total_debt_in_the_medium_and_long_term_in_the_year_i}}{\text{total_assets_in_year_i}} \times 100$$

Figure 9

Borrowing rate dynamics in the medium and long term (%)



Source: *** Agricultural firm's internal documents

9. Updated – is 2 %, used to update future cash flow;

10. Net update value = 1.570.072 lei, must be positive:
cash_flow_from_operating_activity_from_the_year_i

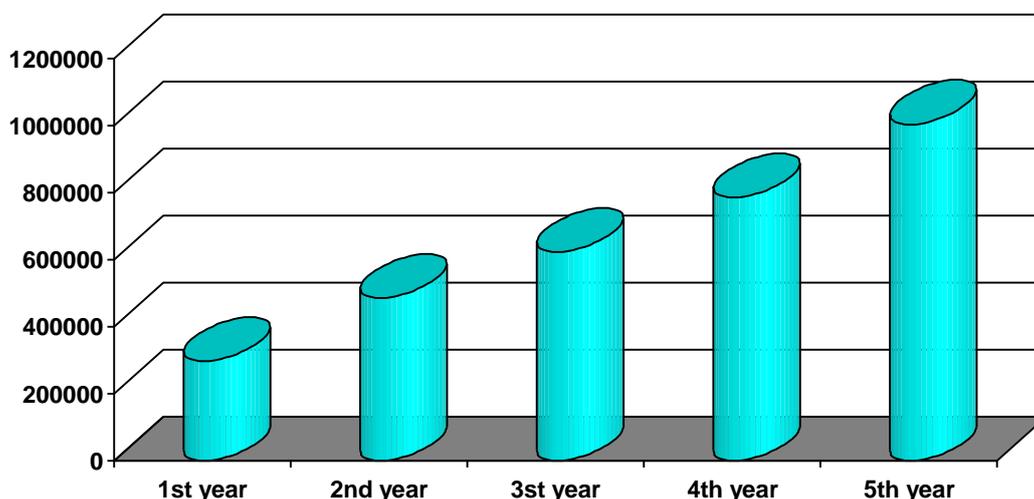
$$VAN = \sum_{i=1}^5 \frac{\text{net_cash_flow_from_the_year_i}}{(1+r)^i} + \sum_{i=6}^{12} \frac{\text{cash_flow_from_operating_activity_from_the_year_i}}{(1+r)^i} - VI$$

FN_i = net cash flow from the year i ; $FN_i \text{ explt}$ = cash flow from operating activity from the year i ; VI = the value of the investmeny;

11. Available cash at the end of the period:

Figure 10

The dynamics of the available cash at end of period (lei)



Source: *** Agricultural firm's internal documents

The production system of the company is represented by manner in which the management has succeeded in combining products, the factors and the various measures of a technical and economic nature, in such a manner that an optimum structure of the cultures would be practices and desired economic results are obtained.

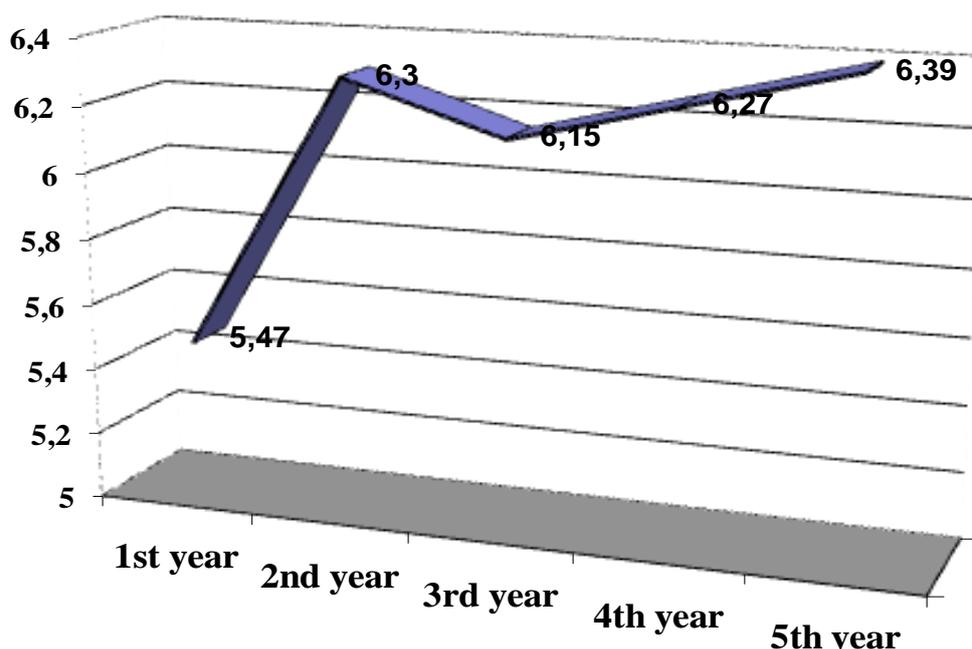
Assessment and evaluation of the health status of the company's financial analysis requires the risk evaluation which accopanies their activity, a prediction of bankruptcy in order to ensure business continuity. Analysis has been carried out in the light of the fact that agricultural company has appealed to a technological strategy to improve economic efficiency of the activity. We have applied to the economic-financial indicators the Altman model used for a prediction of bankruptcy because, as there has been shown in previous researches, this model is viable for quoted agricultural Romanian companies, too. According to this model, the Z Score value lays down two limits and an area of uncertainty

- ✓ $Z < 1,8$ - bankruptcy in a year;
- ✓ $1,81 \leq Z \leq 2,675$ - uncertainty area with a high risk of bankruptcy;
- ✓ $2,67 \leq S Z \leq 2,99$ - area with low risk of bankruptcy;
- ✓ $Z > 2,99$ - free area with no threat of bankruptcy.

As a result, we can notice that the agricultural comapany analysed recorded values higher than 2.99 and this means that it is situated in an area free from the threat of bankruptcy, as shown in Figure 11.

Figure 11

The bankruptcy risk forecast of the agricultural quoted company, hypothesis of development through technology



Source: *** Agricultural firm's internal documents

The strategy chosen, whether it is applied separately or by combining favorable aspects of more than one strategy mentioned above, it must contain as a pylon the elements of an effective management.

6. CONCLUSIONS

A good management in the companies diminishes agricultural risks, increases performance, opens the way to financial markets, increases ability of marketing for goods and services, improves the leadership style, show transparency and social responsibility.⁹

Profitability, in correlation with the risk analysis, are the results of the entity to which the management shall be guided with a significant interest under current crisis, in order to provide necessary financial information necessary in increasing the investors' concern, moreover, essential agricultural business as a efficient, effective, transparent and sustainable, in accordance with the conditions of the financial present crisis.

The quoted Romanian agricultural companies must continuously adapt to the market's requirements and to focus on strategies which must stop the decline trends of the national economy: staff redundancies; rising social and tax burdens; high interest rates which brake the process investment; the orientation of the firms structural organization to agricultural technologies (spring structures, that produce easily with some new products, but not the modern); substantial drop income; difficulties in reducing the increased production costs as a result of successive price raise of the raw materials and energy resources; reducing the absorption power of the market.

The agricultural companies solutions in order to carry out cost-effective, competitive and sustainable activities are: 1. an increase of the role of research and development within Romanian agricultural companies; 2. investments which increase efficiency in the use of production factors, in other words diminish efforts; 3. relevant marketing (any agricultural company is an open center system, and in order to have the ability to obtain higher income and under competitive conditions, it must be familiar with external environment).

We can not talk of a reinterpretation or major change, but a settlement center and an increased relevance of all assumptions prove continuity anyway - profitability, risk, transparency.

Technological investment is to increase and improve not only the efficiency but also the quality of crops, inputs for food industry. It is, moreover, demonstrated the idea according to which product quality food industry depends on the level of the quality input in agriculture. This ensures necessary criteria to ensure compliance with food safety.

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⁹ A. Morariu, Gh. Suci, F. Stoian, *Internal Audit and corporate governess*, University Publishing House, Bucharest, 2008, p. 189

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