

STUDIES ON EFFICIENT RISK MANAGEMENT STRATEGIES IN AGRIBUSINESS

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Abstract: Risk management is a process through which potential risks that could affect the achievement of objectives are identified, evaluated, and managed.

The risk analysis is necessary because, in the current period, society is facing numerous challenges, especially due to changing climate conditions and legislative fluctuations within the business environment. Thus, this paper seeks the best options to reduce risks within the company and to find viable solutions so that the company remains profitable and sustainable in the medium and long term.

The main objective of this paper is to analyze the risks facing a business in the current context of climate change, specifically conducting a risk analysis aimed at improving conditions and determining success in businesses that focus on the commercialization of inputs. The proposed research methodology included several stages, such as reviewing specialized literature, identifying the market structure, understanding the importance of economic indicators, and quantifying the economic and social impact within the organization. The applications used and recommended to farmers help eliminate the risk of improper crop maintenance. Additionally, the partnership with an insurer provides increased financial security for the company.

Keywords: risk, strategies, agribusiness, climate change, management.

JEL Classification: Q01, Q10, Q12, Q14, Q16.

INTRODUCTION

In an era marked by rapid economic, technological, and climatic changes, risk management has become an essential element for the success and sustainability of any company in the agribusiness sector. The agricultural industry is particularly vulnerable to a variety of external factors, including market fluctuations, extreme weather conditions, risks related to plant and animal health, as well as

legislative and political changes. Therefore, companies in agribusiness must adopt effective strategies to identify, assess, and manage these risks in order to protect not only their financial resources but also the long-term integrity of their operations. (Aven T., 2016).

Risk management in agribusiness requires an integrated approach that involves not only protecting the company's current activities but also anticipating and adapting to environmental changes. Risks are inevitable in a sector where natural variability plays a significant role, but by using appropriate risk management tools, companies can maximize opportunities and minimize the impact of negative events. (Hubbard D. W., 2020).

AIM OF THE STUDY

The main objective of this paper is to analyze the risks associated with a business in the current context marked by climate change, as well as to conduct a detailed risk assessment aimed at improving operational conditions and identifying key factors for the success of businesses engaged in the commercialization of inputs.

Conducting this risk analysis is essential, considering that contemporary society faces multiple challenges, particularly those arising from climate change and the legislative instability characteristic of the business environment.

Thus, through this paper, the aim is to identify the most effective risk reduction measures within the company and propose sustainable solutions that contribute to ensuring profitability and long-term sustainability.

Additionally, it is necessary to choose the most appropriate risk management strategy, taking into account the nature of the risks and the need for preventive measures, including the use of insurance tools against threats stemming from climatic, economic, and political factors.

OBJECTIVES

For the development of this paper, a detailed analysis was conducted on the risk factors affecting the activity of a company operating in a complex economic sector that includes wholesale trade in cereals, the production and commercialization of seeds and animal feed, the manufacturing of malt for beer, and the commercialization of inputs for farmers. The main objective of this research is to identify and understand the risks faced by this company within the industry it operates in, as well as to analyze the impact of these risks on the company's performance.

In this context, the main objectives of the study are as follows:

1. Examination of definitions and regulations related to risks is essential to have a clear understanding of the legislative frameworks and regulations governing risks at both the European and national levels, in order to provide a solid foundation for analyzing the sector-specific risks the company faces.
2. Presentation of risk typologies and risk mitigation strategies. The study details the various types of risks specific to the agro-food and agro-industrial industries, including climatic, economic, and legal risks. Furthermore, it analyzes methods of protection against these risks, with a focus on insurance tools and other risk management mechanisms.
3. Analysis of the evolution of service-providing companies and the regulations affecting them in the agro-industrial service market and how legislative and economic regulations influence these companies. The study will include an evaluation of their adaptability to emerging risks.
4. Another important objective is to create a systematic methodology for evaluating the performance of companies in this sector, with the aim of measuring their efficiency in various product categories. This methodology will help identify best practices and promote viable solutions for risk management.

By addressing these objectives, this paper contributes to a deeper understanding of the business environment in which S.C. Soufflet Agro România S.R.L. operates and facilitates the

identification of the most effective risk management strategies. The ultimate goal of the research is to propose solutions that will lead to improved performance and long-term sustainability for the company by adapting to the specific risks of the industry and the ever-changing economic and climatic conditions.

RESEARCH METHODOLOGY

This paper focuses on the analysis of the business sector of S.C. Soufflet Agro România S.R.L., applying a methodology based on specific risk management techniques, including risk identification, risk analysis, risk evaluation, matrix monitoring, as well as communication and reporting processes. The main objective of the research is to quantify the results obtained in this sector and to highlight the benefits brought both to the analyzed company and to the business environment in general.

The methodology proposed for the study included several stages, such as: reviewing specialized literature, analyzing the market structure, assessing the importance of relevant economic indicators, and quantifying the economic and social impact within the organization.

The study was conducted based on the financial data of S.C. Soufflet Agro România S.R.L., used as a case study, sourced from the Ministry of Finance databases and the company's internal sources. This analysis of technical and economic indicators aimed to assess the operational efficiency of the business and manage future risks.

The research process involved collecting information, creating a database, and calculating relevant economic indicators. These steps are crucial for drawing valuable conclusions and identifying potential opportunities for improvement that S.C. Soufflet Agro România S.R.L. can leverage in the future.

The Soufflet Group is a French family-owned company operating internationally in the agricultural sector. It operates across several business lines, including malt production for beer, seed production, the manufacturing of technological fertilizers, grain trading, and the commercialization of inputs for farmers. It is also the largest family-owned company in Europe involved in grain procurement. The structure of the Soufflet Group's businesses is organized into two main lines (Agriculture & Markets and Industries & Services) and six secondary lines (Trading, Winemaking, Biotechnology, Rice & Dried Vegetables, Barley Sector, and Wheat Sector).

The Soufflet Group employs a total of 7,441 people across the 18 countries where it operates. In Romania, S.C. Soufflet Agro România S.R.L. owns three grain silos, located in Brăila, Țândărei, and Biled, all of which have been operational since 2019.

The storage capacities play a crucial role in supporting the operations of the malt factory in Buzău. The Buzău malt factory, the most advanced in Southeast Europe, has an annual production capacity of 110,000 tons of malt and requires an annual supply of 155,000 tons of malting barley.

Technical consulting for farmers is one of the core activities of S.C. Soufflet Agro România S.R.L., alongside the sale of seeds, fertilizers, chemical plant protection products (CPP), and the marketing of cereals. The company provides a comprehensive service to farmers, offering input products, technical consultations, and facilitating the purchase of their production.

Through technical documents, known as *Regional AGRO FLASH*, farmers are kept informed about the growth stages of key crops, the status of their fields, and potential risks to agricultural operations. Additionally, the documents include recommendations for the optimal application of plant protection products and fertilizers to maximize their effectiveness.

ANALYSIS OF ECONOMIC AND FINANCIAL INDICATORS

The economic and financial analysis is a complex procedure used to assess the financial situation of a company or an economic entity. The purpose of this analysis is to provide an accurate diagnosis of the current financial situation by identifying the strengths and, respectively, the weaknesses of the business.

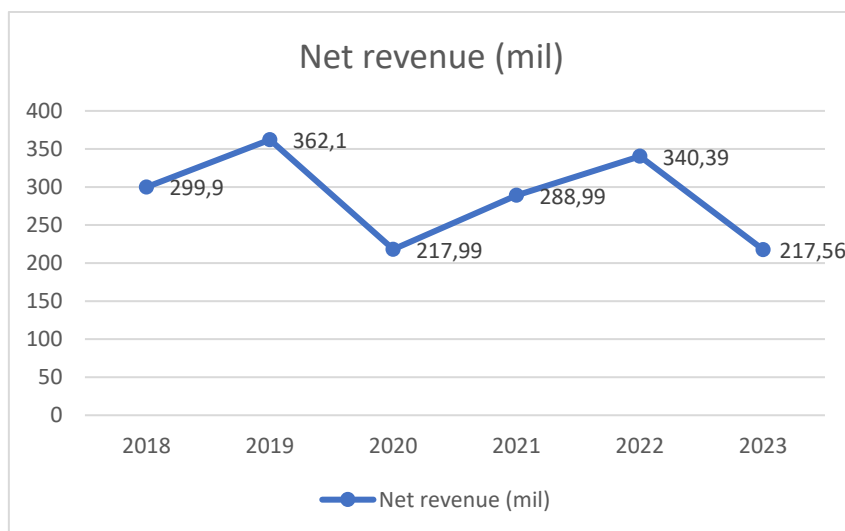


Figure 1. Net revenue for 2018-2023

Source: own work

The net revenue figures presented reflect fluctuations in the company's financial performance over the period from 2018 to 2023 (Tabel 1).

The company's revenue experienced volatility during this period, with significant declines in 2020 and 2023.

The period from 2019 to 2021 saw recovery, but the drop in 2023 suggests that there are ongoing or new challenges impacting performance.

The reasons for the drop in 2023 would need further investigation to understand the underlying causes (e.g., market conditions, changes in consumer demand, competition, or internal issues).

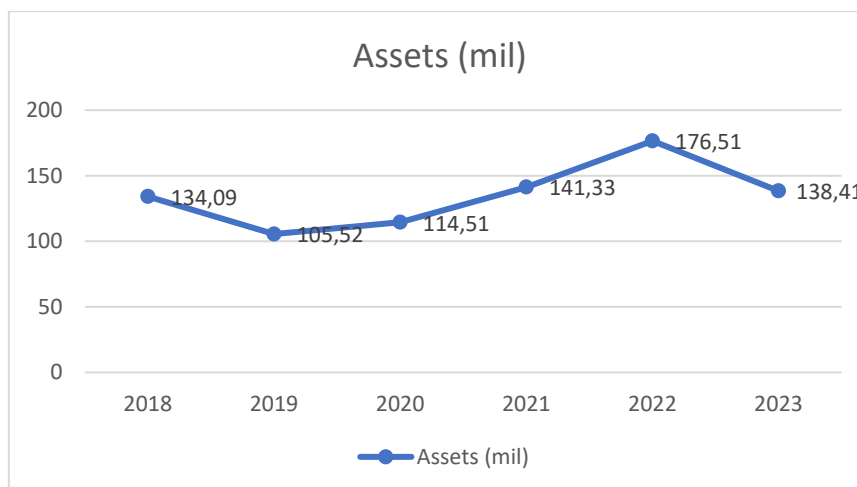


Figure 2. Assets for 2018-2023

Source: own work

The company experienced fluctuations in asset value throughout this period, with a notable decline in 2019 followed by recovery in 2021 and 2022. However, the drop in 2023 suggests some form of asset reduction or devaluation (Tabel 2).

The decrease in 2023 might indicate a strategic decision to sell or liquidate some assets, or it could reflect external factors such as market volatility or financial restructuring.

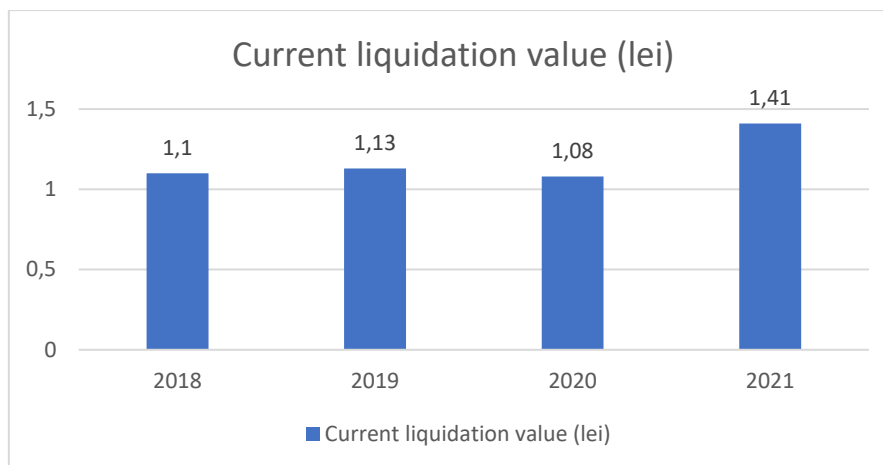


Figure 3. Current liquidation value for 2018-2021

Source: own work

The company's current liquidation value saw fluctuations from 2018 to 2021, with a notable dip in 2020 (likely due to external factors) but a strong recovery in 2021. The rise in 2021 indicates that the company was able to improve its liquidity, possibly making its assets more easily convertible into cash. This improvement is a positive indicator of the company's ability to weather financial stress and manage short-term obligations effectively (Tabel 3).

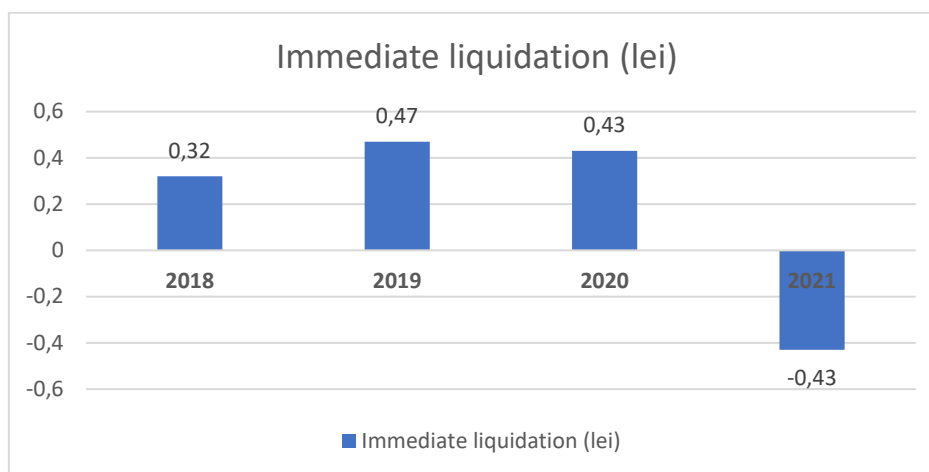


Figure 4. Immediate liquidation

Source: own work

The increase from 0.32 million lei to 0.47 million lei in 2019 indicates an improvement in the company's immediate liquidity, suggesting better management of cash and liquid assets (Tabel 4).

The sharp drop to -0.43 million lei in 2021 is alarming because it indicates that the company lacked sufficient liquid assets to meet its immediate liabilities. This could signal liquidity problems or a heavy reliance on credit or other financing options to cover short-term needs.

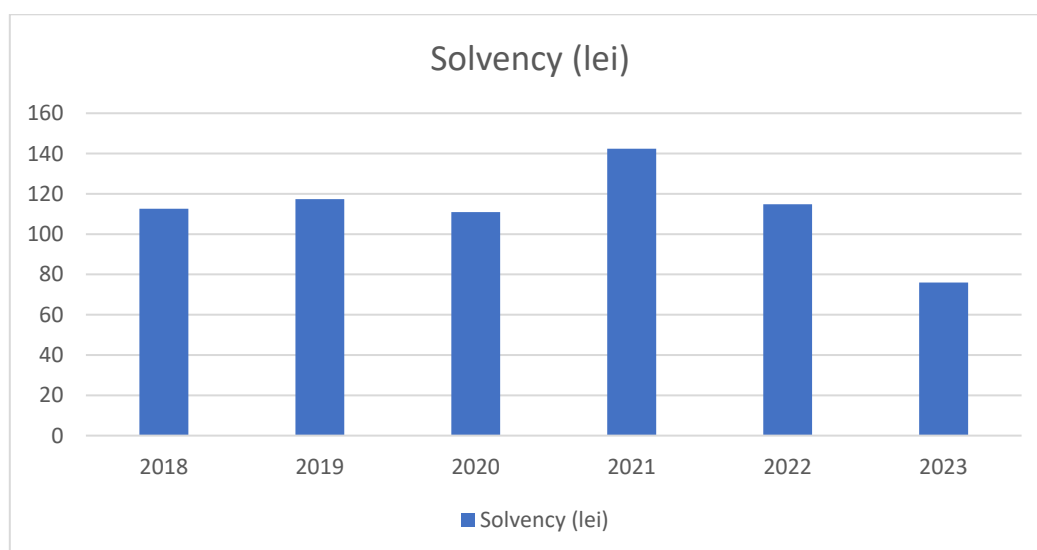


Figure 5. Solvency

Source: own work

The solvency values show that while the company had a relatively strong financial position in the earlier years (2018-2021), the sharp decline in 2023 raises serious concerns about its long-term financial health. The substantial decrease in solvency indicates that the company might be facing issues such as increased debt, declining asset values, or a combination of both (Tabel 5).

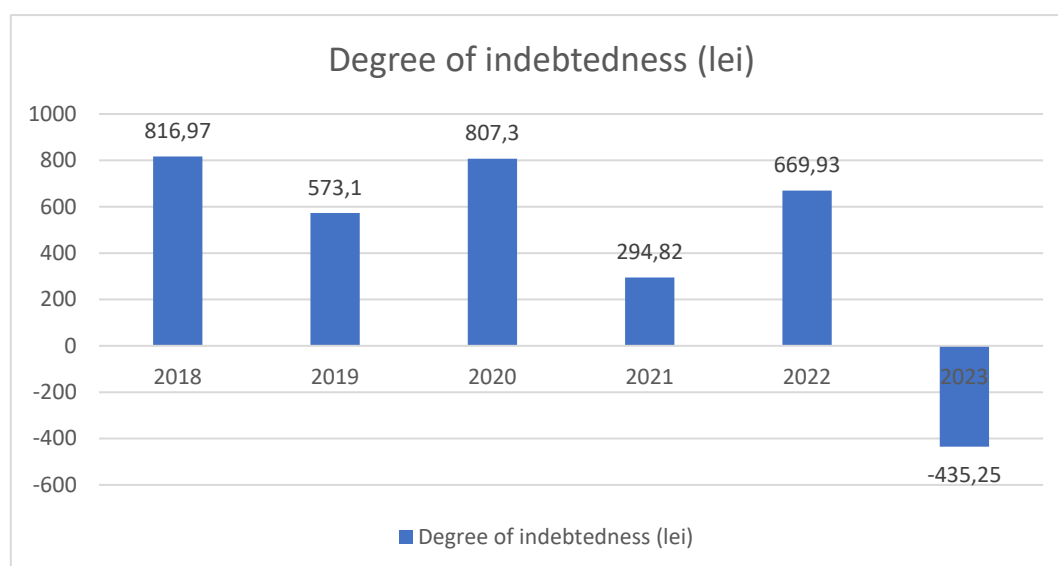


Figure 6. Degree of indebtedness

Source: own work

The company made significant strides in reducing its debt during these years, especially in 2021, where it achieved a major reduction in its degree of indebtedness. The negative value in 2023 is atypical for an indebtedness ratio, and it may reflect an accounting adjustment, debt forgiveness, or a significant increase in equity that outstrips the company's liabilities.

Given the company's direct collaboration with farmers in Romania, it is essential for it to consider the various risks that farmers face. To address these risks, Soufflet Agro Romania has implemented the **Golden Rapeseed Program**, a specialized initiative designed specifically for rapeseed growers. The program offers financial support to farmers who purchase technological

packages for rapeseed cultivation (seeds, fertilizers, and pesticides) in the event of crop failure, particularly during the two critical stages: germination and winter survival.

To qualify for this program, farmers must adhere to the following conditions:

Compliance with the technology recommended by Soufflet Agro Romania specialists, which includes sowing the rapeseed crop by September 19, 2023. Purchase of rapeseed seeds from Soufflet Agro Romania's portfolio, including varieties such as Drone, Addition, Miami, Olimpico, or Estella, based on the specific requirements of the farmer. 100% purchase of plant protection products for rapeseed cultivation from Soufflet Agro Romania's portfolio. Field replanting is permitted only if the crop is diagnosed as unviable by a Soufflet Agro Romania expert.

Soufflet Agro Romania guarantees the following compensation:

- November 5, 2023: 60 euros per hectare if the field is deemed unviable due to insufficient vegetative development.
- March 10, 2024: 110 euros per hectare if the field continues to show insufficient vegetative growth.

Fertilizers represent another critical area for the company, as in addition to selling them, the Soufflet Group is also a producer of technologically advanced fertilizers aimed at increasing farm productivity. NitroFusion is one such innovative solution designed for sustainable agriculture by efficiently supplying nitrogen to crops. This technology enables the direct capture of atmospheric nitrogen at the leaf level, providing a constant supply of nitrogen without being limited by root absorption capabilities. Furthermore, its effectiveness in preventing nitrogen loss through leaching or volatilization can significantly contribute to crop growth and productivity.

In addition to NitroFusion, S.C. Soufflet Agro Romania S.R.L. includes two other beneficial substances in the fertilizers it markets to farmers:

SAP (Super Absorbent Polymer) is utilized for its ability to attract atmospheric moisture, thereby reducing dependency on water. It allows the product FertiSTART 47 NP to release nutrients into the soil using only one-third of the water required by traditional fertilizers.

The Buzău factory plays a pivotal role in the Soufflet Group's operations in Romania. Located in a region with soil ideal for cereal cultivation, especially barley for brewing, it benefits from a strategic position. The facility has access to high-quality seed varieties and specialized agronomic consultancy. Soufflet offers a selection of barley varieties tailored to Romania's growing conditions, in collaboration with the technical department of Soufflet Malteries, to produce high-quality barley for malt production.

Another crucial aspect of risk management within the organization involves its grain trading activities, which allow farmers to offer cereals as a means to cover the costs of the purchased inputs.

Grain trading refers to the buying and selling of cereals, such as wheat, corn, rice, and barley, on financial markets. This type of trading involves speculating on cereal prices to achieve a profit. Grain traders monitor market developments, analyze factors that can influence cereal prices (such as weather conditions, supply and demand, government policies, etc.), and make decisions on whether to buy or sell cereals based on these factors.

Grain trading can be carried out through both physical markets (where actual quantities of cereals are bought or sold) and financial markets (where futures contracts or options related to cereal prices are traded). This activity allows the company to manage price fluctuations and secure competitive input prices for farmers.

CONCLUSIONS

In conclusion, Soufflet Agro România's strategic risk management initiatives, through the integration of advanced technologies, partnerships, and an innovative business approach, not only ensure the company's financial resilience but also contribute to the development of the local agricultural economy. By continuing to streamline operations and enhance market presence, the company can effectively manage risks while driving growth and profitability.

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