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**AGRICULTURAL PRODUCER GROUPS IN WIELKOPOLSKA
– DEVELOPMENT AND FUNCTIONING**

*WIELKOPOLSKIE GRUPY PRODUCENTÓW ROLNYCH
– ROZWÓJ I FUNKCJONOWANIE*

Key words: agricultural producer groups, agricultural holdings, Wielkopolska Province, Common Agricultural Policy, Rural Development Programme

Słowa kluczowe: grupy producentów rolnych, gospodarstwa rolne, województwo wielkopolskie, Wspólna Polityka Rolna, Program Rozwoju Obszarów Wiejskich

Abstract. Creating permanent cooperation frameworks among farmers, including agricultural producer groups, is especially desired in the Polish agriculture which is characterised by considerable fragmentation in terms of farm size and production scale. However, the process of establishing producer groups is developing too slowly in relation to the Polish agriculture potential. The biggest number of producer groups in Poland is found in the area of Wielkopolska Province. In the years 2001-2010 in this Province, which is considered to be the leader in this field, 122 agricultural producer groups were entered in the register kept by the Province Marshal's Office. This article describes the process of establishing the agricultural producer groups in Wielkopolska, their lines of business and spatial distribution. Also, their activity was assessed in terms of the number of submitted applications for subsidies under the Rural Development Programme. These issues were discussed on the basis of, inter alia, the register of producer groups kept by the Wielkopolska Province Marshal's Office as well as the data obtained from the Agency for Restructuring and Modernization of Agriculture.

Introduction

Fierce competition on the agricultural market, changes taking place in the agricultural products distribution (including trade globalisation, new links), increasing requirements of consumers with regard to agricultural products quality, immense fragmentation of Polish farms in terms of farm size and production scale – all these factors call for greater horizontal integration of agricultural producers. Agricultural producer groups, which are one of the forms of operating in a team, make it possible to reduce the farming production costs, enable better access to professional information on production and investment. As a result, they enhance the position of an individual producer on the agricultural market.

The idea of establishing agricultural producer groups came into being shortly after the introduction of market economy principles in Poland at the beginning of the 90. of the 20th century [Kutkowska, Antosz-Kończ 2009]. The process of organising the agricultural producers in business units was then hindered by, inter alia, lack of legal regulations governing the functioning of such entities as well as the passive attitude of farmers resulting from their negative experiences in the past (forced collectivisation in the communist economy, diminished role of the agricultural cooperatives and farmers' associations after the fall of the communist system in 1989). The Act on producer groups and their associations (Dz. U. No. 88, item 983, as amended), which stipulates the functioning purposes and the way in which agricultural producers can organize to form groups and unions, and also presents the registration process, was not published until the year 2000. Establishing the legal framework was necessary, however, it did not contribute to a significant increase in the number of farmers interested in cooperation in the form of agricultural producer groups. In 2001 the register showed as few as 8 producer groups. In the years 2002-2005 the number of agricultural producer groups entered annually in the register fluctuated from 20 to 39. It was not until 2006 that the situation improved and for the first time the number of new entries reached 50. In the years 2007-2008 more than 100 producer groups were registered annually. As a result, at the turn of 2009 and 2010 the registers kept by the Province Marshal's Offices contained more than 500 entries of agricultural producer groups. The factors which contributed to boosting

the process of forming the agricultural groups included: improving the regulations on this form of teamwork functioning, increasing the financial assistance for newly established groups, promoting the horizontal integration of agricultural producers (trainings, promotional materials) by various institutions (e.g. National Cooperative Council, Ministry of Agriculture and Rural Development, Province Marshal's Offices, farming consultants), as well as growing experience of farmers with regard to organising themselves into business units. Unfortunately, the number of agricultural producers organisations in Poland is still insufficient in relation to the immense fragmentation of the farms or their production capacities.

The purpose of this article is to present the process of establishing the agricultural producer groups functioning in the province of Wielkopolska, and to discuss their lines of business and spatial distribution. Moreover, the effectiveness in obtaining financial means under the Rural Development Programme was assessed, which was possible in two editions: for the years 2004-2006 and 2007-2013. The measured factors included both the attempts of Wielkopolska producer groups to gain financial support (analysing the number of filed applications, and the amount of requested subsidy), as well as the effects expressed as the number of successful applications and the amount of obtained funds.

Choosing the province of Wielkopolska for the purpose of the study was not coincidental. Even though currently in every Province in Poland there are at least several agricultural producer groups, the province of Wielkopolska is considered to be the long-term unquestionable leader of the groups establishment process [Martynowski 2010].

This article concentrates on the agricultural producer groups entered in the register kept by the Wielkopolska Province Marshal's Office. The register includes the groups established under the Act of 15 Sept. 2000 on agricultural producer groups and their associations and on changing other acts (published in *Dz. U.* No. 88, item 983, as amended). Due to the lack of reliable data, this article does not cover any informal groups. Although field research indicates that such informal groups function in the region of Wielkopolska, it is not possible to establish a full and reliable information base.

This study applies the data derived from the register of agricultural producer groups kept by the Wielkopolska Marshal's Office as well as the materials obtained from the Agency for Restructuring and Modernization of Agriculture (the measure: "Agricultural Producer groups" under the Rural Development Programme for 2004-2006 and 2007-2013).

Development of agricultural producer groups in Wielkopolska Province in the years 2001-2010

The first Group in Wielkopolska entered in the register kept by the Province Marshal's Office (by virtue of the Act on producer groups and their associations passed in 2000), was „PRO-AGRO” Pigs Farmers Association based in Krotoszyn. This group, which is still operating today, was the only group entered in the register in 2001. Year by year, there were more and more registered producer groups, however, in the first years of the 21st century the rate of increase in their number was very slow (Fig. 1). It was not until 2008 that greater interest was observed with regard to formalising the farmers cooperation on the agricultural market – over 25 producer groups were registered per year. In the years 2001-2010 in Wielkopolska province 148 agricultural producer groups were entered in the register, and 16 were deleted from it. Some of the deleted groups were then re-entered in the register. That was the case of „Pałuczanka” Cooperative Group of Cow Milk Producers based in Wągrowiec, which was first registered in 2006, then deleted two years later and re-entered in the register in 2010. Although re-entry means additional costs, it is also a chance to obtain financial support for the business activity run by the group. The main reasons for deleting some groups from the register included failure to complete some formalities, e.g. failing to meet the deadline for applying to the Agency for Restructuring and Modernization of Agriculture for financial support (6 months from entering the group in the register kept by the Province Marshal's Office).

Wielkopolska Province is still the leader in Poland in terms of the quantity of agricultural producer groups. 122 groups operated in that region in 2010 (Fig. 2), which accounted for over 17% of the total number of these forms of horizontal integration. However, taking into account the number of agricultural producers in Wielkopolska Province, the agricultural production is still dispersed. In view of the increasing requirements of individual links in the farming products supply chain and taking into account the significance of such organisations in the EU countries, it must be stated that the number of producer groups is still too low. Some of the farmers in Wielkopolska cooperate with one another, however, they do not choose to formalise their busi-

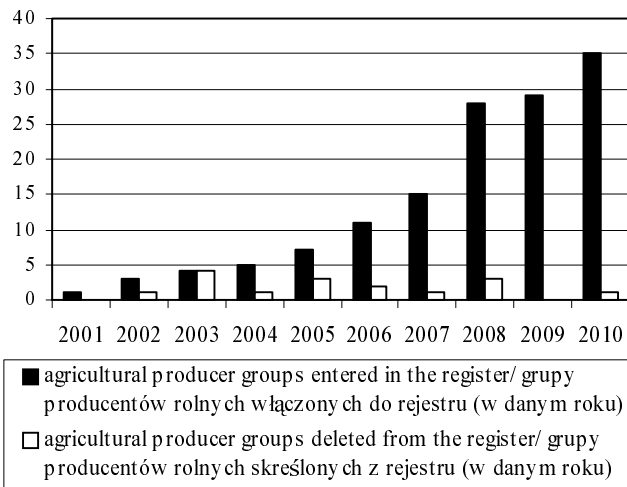


Figure 1. The process of establishing agricultural producer groups in Wielkopolska Province in the years 2001-2010

Rysunek 1. Proces tworzenia grup producentów rolnych w województwie wielkopolskim w latach 2001-2010

Source: based on the Register of agricultural 2001-2010

Źródło: opracowanie na podstawie Rejestru grup producentów rolnych prowadzonych przez Urzędy Marszałkowskie

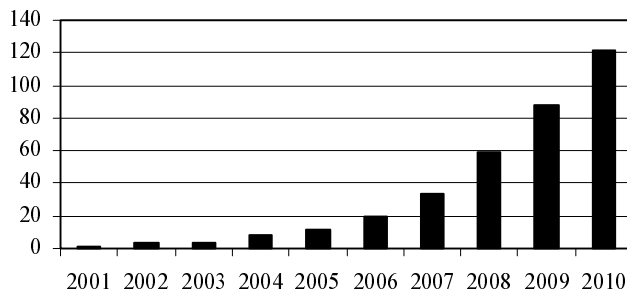


Figure 2. The number of agricultural producer groups in Wielkopolska Province in the years 2001-2010 (as at the end of 2010)

Rysunek 2. Liczba funkcjonujących grupy producentów rolnych w województwie wielkopolskim w latach 2001-2010 (stan na koniec 2010 r.)

Source: see fig. 1

Źródło: jak na rys. 1

in cereal and oil crops production, 9% of them in poultry, and 8% deal with cow milk production.

The spatial distribution of the producer groups in Wielkopolska Province is very uneven and to a large extent is related to their lines of business. They are concentrated in the areas characterised by intensive pig farming – predominantly in the central-southern part of the region.

Making use of financial funds under the Rural Development Programme

A significant incentive to establish agricultural producer groups is a possibility to obtain financial support. After Poland's accession to the EU, one of the most important sources of financial support for the groups has been the Rural Development Programme. The Groups could apply for the subsidies by making use of several measures implemented within the programme framework. The most significant measure under the Rural Development Programme for the years

ness relationships. Unfortunately, it is not possible to specify the scale of this phenomenon. It is also worth mentioning that the increase in the number of the organisations is not always tantamount to an increase in the number of new producers associated in those groups. It may happen that the same producers established more than one group [Kacprzak 2010].

The types of legal forms of the producer groups based in Wielkopolska region differs from the ones in other parts of Poland where the prevailing number (over 60%) of the groups operate as limited liability companies [Kacprzak 2010, Hasiński 2010]. When establishing producer groups, farmers from Wielkopolska usually chose to become a cooperative (45%) or a limited liability company (36%). A much more less popular legal form among the producer groups was an association, chosen by 18 groups. In Wielkopolska the least popular legal form among the producer groups was a society which was established only in one case.

The lines of business of the agricultural producer groups in Wielkopolska are not very diversified. The majority of the groups (i.e. 75, accounting for nearly 62% of their total number) deals with pig farming (pigs, fresh, chilled and frozen pork). This is connected with the high level of pig production in the region – Wielkopolska Province is the leader in Poland with regard to the pig headcount per hectare. Slightly more than 1/4 of the groups specialise

2007-2013 was "Agricultural Producer Groups" which is the continuation of Measure 7 implemented under the Rural Development Programme for the years 2004-2006. It was decided that financial support would be granted (once throughout the group's functioning period) only to the newly established groups entered in the register kept by the Province Marshal's Office. It is worth emphasising that 350 groups were planned under the Rural Development Programme for the years 2007-2013. In the first edition of the programme, the financial means (24.5 million euros, of which 80% came from the EU) could be used by the agricultural producer groups registered in the years 2004-2006, and in the second edition (105 million euros, of which 75% came from the EU) the funds are to be used by the entities registered in the years 2007-2013. Any group applying for the financial support under the Rural Development Programme was obliged to prepare an application within 6 months from the day it was entered in the register, and to submit it to the local branch of the Agency for Restructuring and Modernization of Agriculture.

The producer groups from Wielkopolska actively participated in obtaining financial means both under the 2004-2006 and 2007-2013 Rural Development Programmes (Tab. 1, Fig. 3). The share of the producer groups from Wielkopolska in the total payments made to all the groups amounted to nearly 21% (2004-2006). The second place was taken by the groups based in Kujawsko-Pomorskie Province (nearly 20% of the total subsidies amount).

Under the implemented Rural Development Programme for 2007-2013, 107 groups from Wielkopolska Province were eligible to apply for the subsidies (they were entered in the register kept by the Province Marshal's Office in the years 2007-2013 and they fulfilled all the requirements). The agricultural producer groups from Wielkopolska filed the most applications in Poland – 83, which constituted over 19% of the total number of applications. They applied for the total amount of PLN 15 million – more than 18% of all the financial means applied for by all the groups from Poland. The average value of an application submitted to the Agency for Restructuring and Modernization of Agriculture by the groups amounted to nearly PLN 200,000. The average amount of support

Table 1. The use of subsidies under the measure "Agricultural Producer Groups" being part of the Rural Development Programme for 2007-2013

Tabela 1. Poziom wykorzystania środków z działania „Grupy producentów rolnych” w PROW 2007-2013

Provinces/ Województwa	Submitted application/ Złożone wnioski		Requested subsidy amount [PLN]/ Wnioskowana kwota pomocy [zł]		
	number/ liczba	%	total/ ogółem	per 1 application/ na 1 wniosek	%
Dolnośląskie	63	14.7	11 385 741.6	180 726.1	13.4
Kujawsko-pomorskie	47	11.0	8 968 288.3	190 814.6	10.6
Lubelskie	10	2.3	1 333 040.2	133 304.0	1.6
Lubuskie	26	6.1	7 413 897.8	285 149.9	8.7
Łódzkie	7	1.6	1 766 659.5	252 379.9	2.1
Małopolskie	3	0.7	392 147.5	130 715.8	0.5
Mazowieckie	13	3.0	3 294 812.4	253 447.1	3.9
Opolskie	44	10.3	9 184 895.7	208 747.6	10.8
Podkarpackie	9	2.1	1 091 175.0	121 241.7	1.3
Podlaskie	20	4.7	4 462 834.1	223 141.7	5.3
Pomorskie	27	6.3	4 297 123.5	159 152.7	5.1
Śląskie	13	3.0	2 898 261.5	222 943.2	3.4
Świętokrzyskie	4	0.9	594 982.4	148 745.6	0.7
Warmińsko-mazurskie	30	7.0	5 612 014.8	187 067.2	6.6
Wielkopolskie	83	19.4	15 439 307.8	186 015.8	18.2
Zachodniopomorskie	29	6.8	6 772 041.4	233 518.7	8.0
Polska	428	100.0	84 907 223.5	198 381.4	100.0

Source: own study based on Managerial Information... 2010

Źródło: opracowanie własne na podstawie Systemu Informacji... 2010

requested per one application in Wielkopolska Province was lower – it was slightly more than PLN 186,000. At this stage of the “Agricultural Producer Groups” measure implementation within the framework of the Rural Development Programme for 2007-2013 (as at 31.08.2010), the agricultural producer groups from Wielkopolska have obtained over PLN 12 million of financial support (more than 16% of all the payments made).

Agricultural producers are interested in using the financial means available to producer groups under the Rural Development Programme for 2007-2013 and are more and more efficient in obtaining them. By the end of August 2010, the groups submitted 428 applications for a total of nearly PLN 85 million, which represented 81% of all the financial means allocated for the whole measure. The producer groups received over PLN 75 million, and the successful applications under the “Agricultural Producer Groups” measure constituted 72% of all the applications.

Having compared the process of forming the producer groups in Wielkopolska Province to the availability of the funds supporting the formation of organised forms of agricultural producers activity in Poland, and considering the groups activity in obtaining the funds, it must be concluded that the financial means available under the Rural Development Programme had an influence

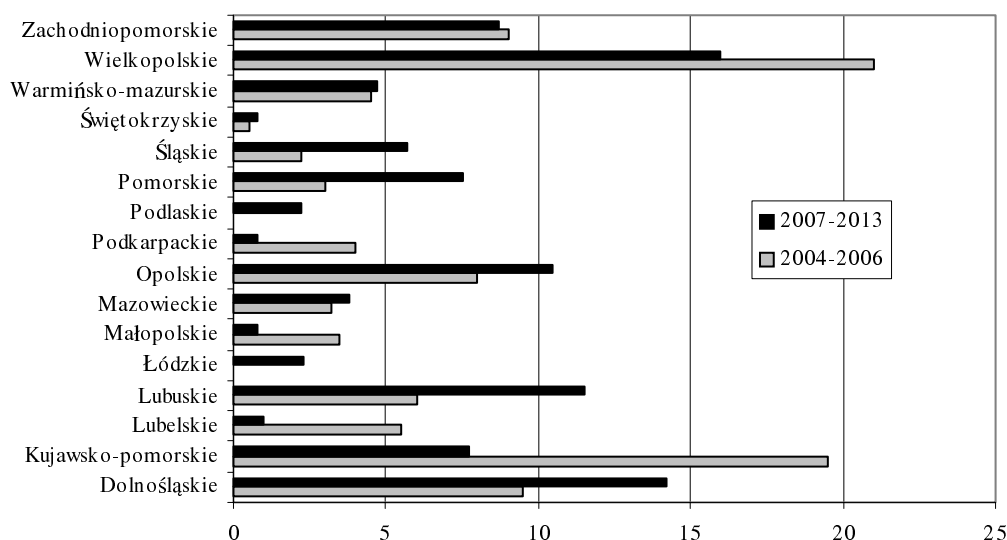


Figure 3. CAP payments (accomplished) – operation „Groups of agricultural producers” Rural Development Plan 2004-2006 and Rural Development Programme 2007-2013

Rysunek 3. Płatności Wspólnej Polityki Rolnej zrealizowane w ramach działania „Grupy producentów rolnych” PROW 2004-2006 i PROW 2007-2013

Source: see fig. 2

Źródło: jak na rys. 2

on the increase in the number of producer groups.

Conclusions

Prospering agricultural producer groups are a significant element of the sustainable support of the agricultural producer position on the agricultural market. In Wielkopolska Province, the number of such cooperation groups has been growing systematically, and the region has long been considered to be the leader of the process of agricultural producer group formation. Unfortunately, the level of the horizontal integration is still insufficient, especially in relation to the fast changes taking place on the Polish agricultural market affected by globalisation. The vast majority of farmers are not interested in forming producer groups. This is due to many factors, including the negative experiences (forced collectivisation in the communist economy, winding up the cooperatives in the 90. of the 20th century), the mentality (the urge to be independent, competition between farmers), too much tardiness in providing legal framework to regulate the activity of producer groups.

What contributed to boosting the actions leading to formation and registration of the agricultural groups was the financial means available under the Common Agricultural Policy (and in

particular the Rural Development Programme).

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Streszczenie

Województwo wielkopolskie od kilku lat utrzymuje się na pozycji lidera procesu organizacji grup producenckich. W 2010 r. na jego terenie działały 122 grupy, co stanowiło ponad 17% zarejestrowanych tego typu form integracji poziomej w Polsce. Uwzględniając: liczbę wielkopolskich producentów rolnych, występujące rozproszenie produkcji rolniczej, rosną wymagania poszczególnych ogniw dystrybucji produktów rolniczych oraz znając pozycję tego typu organizacji w krajach UE, należy stwierdzić, że grup producenckich nadal jest zbyt mało.

Struktura form prawnych działających w województwie grup producenckich jest odmienna od struktury krajowej. Jej cechą charakterystyczną jest duży udział spółdzielni (45%). W strukturze branżowej przeważają grupy (ok. 62%) prowadzące działalność związaną z produkcją trzody chlewnej. Jest to efekt wysokiego poziomu tego rodzaju produkcji zwierzęcej w województwie wielkopolskim. Rozmieszczenie grup producenckich jest bardzo nierównomierne i w znacznej mierze związane jest z ich strukturą branżową.

Wielkopolskie grupy producenckie aktywnie uczestniczyły w pozyskiwaniu środków finansowych zarówno w ramach PROW 2004-2006, jak i PROW 2007-2013. W pierwszej edycji programu ich udział w ogólnych płatnościach uzyskanych przez grupy wynosił ok. 21% (stan na 31.08.2010 r.), a w drugiej 16% (stan na 31.08.2010 r.). Środki finansowe z Programu Rozwoju Obszarów Wiejskich są istotną zachętą do zakładania grup producentów rolnych.

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