



Agricultural Producer Groups as an Example of Commercial Organizations in the Agricultural Sector

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Abstract. The paper analyzes the conditions for the functioning of agricultural producer groups, which are a modern example of commercial activity in the agricultural sector. Based on the available static data, the growth dynamics of the number of business entities in question was determined, i.e. approx. 120 newly formed groups on average annually. Production of pigs, grains or oilseeds, and poultry was the dominant production in the grouped agricultural enterprises. The analysis allows to conclude that the form of cooperation of agricultural producers presented in the work undoubtedly favors the improvement of the market competitiveness of agricultural producers, and this is the main objective of any commercial organization. Thus, contemporary formalized forms of cooperation between agricultural producers bear many common features attributed to enterprises from other sectors of the national economy.

Keywords: Cooperation of agricultural producers ·
Agricultural producer group · Agricultural production

1 Introduction

The task of agricultural producers is to produce enough food to meet the needs of the population. In the current economic reality, the problem is not to produce it, but to find regular customers who will provide adequate payment. It is difficult for an individual Polish producer to prepare large volumes of high quality, reproducible produce for sale at the lowest possible price, while ensuring continuity of supply, product promotion and profitability of production. In addition, the weakness of individual producers is the inability to negotiate terms and the sale price of manufactured products [11, 12]. The producer often becomes a minor client of processing plants. Individual producers may

strengthen their position by organizing themselves into groups. By joining this form of economic activity, producers gain a stronger position against potential buyers of their products and, above all, a competitive advantage on the. Poland's agrarian structure is characterized by high fragmentation. Almost 70% of agricultural enterprises have less than 5 ha of area [4]. Linking the agricultural enterprise with the market resulted in the need to adapt its production to the demands of competition, and therefore the need to introduce more and more modern technologies. Currently, agricultural enterprises are at different stages of development, both in Poland and worldwide. The higher the level of development, and the closely related the enterprise is with the market, the more often there is cooperation between producers, mainly to improve the economic efficiency of management. One of the examples of these activities is the observed dynamic development of agricultural producer groups, which are a manifestation of the development of entrepreneurship among producers. As a result, emerging producer groups are an example of commercial organizations in the agricultural sector.

The aim of the paper is to address the conditions for the functioning of agricultural producer groups, which are a modern example of commercial organizations in the agricultural sector. Based on available statistical data, the level and directions of development of the agricultural producer groups in question were presented. Based on the literature study and the knowledge gained so far in the course of authors' long-term research on groups of agricultural producers, the benefits for agricultural producers resulting from organizing in and associating with commercial organizations, which are emerging groups of agricultural producers, were indicated.

2 Development of Cooperation Between Producers in the Agricultural Sector

The cooperative movement in Poland has a rich tradition, dating back to the second half of the 19th century. In the socialist era, agricultural cooperatives were among the flagship slogans of state policy towards agriculture, although their form was slightly degenerate. At the end of the 1980s, the share of cooperatives in the purchase of agricultural products was over 60%. Following the change of the economic system to capitalism, the role of the cooperative was significantly weakened (the share of cooperatives in the purchase of produce dropped to several percent). In the 1990s, actions were undertaken to change the cooperative system in Poland and to support other forms of self-organization of producers. An important attempt to encourage agricultural producers to form groups in the free market economy was taken in 2000 by adopting the Act on Agricultural Producer Groups and their Associations [4]. In principle, in each of the subsequent EU and national aid programs that have been important for Polish agriculture, starting from 4 PHARE and SAPARD, to RDP 2004–2006, 2007–2013 to the currently implemented RDP 2014–2020, part of the support was addressed to groups of agricultural producers. At present, individualism, i.e. a strive to ensure independence, still prevails in Poland, but unfortunately it usually takes

place at the expense of an appropriate position on the market. In this situation, more potent buyers and production suppliers often dictate the conditions. This situation was observed, e.g. in the 1980s in the former EU-15 countries, where the weaknesses of family farms, both material and social, were revealed, as a result of technical progress and growing civilization requirements. Similarly to the current situation in Poland, the producers had difficulties selling their products and modernizing the technical base. In the 1970s and 1980s in Germany, an increase in the bargaining position on the recipient side was observed, which was not accompanied by a similar concentration on the side of agricultural producers [2]. This situation has led to attempts to seek new organizational and legal forms that would allow leveraging the effects of technical progress while maintaining the family character of the agricultural enterprise [6, 7]. This eventually led to the development of group activity and the emergence of formalized forms of cooperation between agricultural producers. The actions taken significantly improved, e.g. agrarian structure in these countries [9].

3 Material and Method

The analysis carried out in the study was based on statistical data obtained from reliable sources, i.e. the public databases of the Agency for Restructuring and Modernization of Agriculture and the National Network of Rural Areas. The work uses the descriptive-comparative method; the analysis of conditions includes current guidelines for the functioning of agricultural producer groups in Poland. To determine the level of development, the time period from 2001 to 2014 has been taken into account.

4 Discussion and Results

Agricultural producers organize into groups in accordance with the provisions of the Act of 15 September 2000 on Agricultural Producer Groups and their Associations and amendments of other acts (Journal of Laws No. 88, item 983, as amended). In order for a producer group to be created, the following requirements must be met, consisting of stages such as: A founder's meeting; Registration of the group as an entrepreneur; Registration of the group as a company; Preparation of agricultural producer group action plans; Entry of the producer group in the Marshall's Office register; Financial aid for a group of agricultural producers to establish and support their administrative activities.

The decision on choosing the business form requires analyzing the possibilities that are acceptable in the national law and choosing the one that best suits the nature of the producer group's activities. According to the Polish law, a producer group is free to choose the legal form in which it will operate, which will be the most advantageous. Agricultural producers have a choice of joint activities in the form of: cooperatives, companies, unions and associations (Table 1).

Table 1. Available legal forms under which producer groups can function in the Polish legal system.

Specification	A cooperative	A LTD company	A union	An association
The nature of the organization	Economic but also social	Any	Socio-professional, but also economic	Social
Area of operation	No restrictions	No restrictions	Republic of Poland	No restrictions
Members of the organization	Natural and legal persons	Natural and legal persons	Natural persons	Natural persons
The number of founding members	At least 5 natural persons	1 and more	At least 10 natural persons	At least 15 natural persons

Source: [11]

For comparison, Table 2 presents the criteria for recognition of producer organizations in selected EU countries.

Table 2. Criteria for recognition of producer organizations.

Member country or individual regions	Minimum number of members	Minimum value of commodity production (ECU million**)
Belgium, Germany, Spain (except the Balearic and Canary Islands), France, Greece*, Italy, the Netherlands, Austria, the United Kingdom (except Northern Ireland)	40 or 10 or 5	1.5 or 2.5 or 3
Denmark, Ireland, Northern Ireland, Greece*, Balearic Islands and Canary Islands, Portugal (except Madeira and the Azores)	15 or 5	0.5–1
Finland, Sweden, Greece (regions other than those listed above)	10 or 5	0.25 or 0.5
Greece (islands), Luxembourg, Madeira and Azores	5	1

*Separate individual regions of Greece; ** unit of account in the European Monetary System (replaced by the euro in a ratio of 1 ECU = 1 EUR on 1 January 1999) Source: [9]

As other business entities, producer groups are required to register in the business register in the National Court Register. The next step is to report to the Statistical Office and obtaining the National Business Registry Number (REGON) number. After obtaining the entry in the National Court Register, the group becomes a business entity. This does not mean, however, that it is a producer group in a proper sense. In order to obtain this status, the group needs to enter the register kept by the Marshall's Office competent for the headquarters of the group. However, before a group can submit a registration application, it must prepare a Group Action Plan. The group's action plan is an important document defining the directions of the group's activities for at least 5 years. Properly constructed, this document will allow for efficient and effective

achievement of the group's assumed goals and will ultimately contribute to its economic success. An action plan is a document consisting of two parts: descriptive and financial. The descriptive part should contain basic information about the business, such as name or address, as well as a description of its activity (the company's objective, directions of development for the company as a whole and for individual holdings, characteristics of the company's managers, planned scale of production of the member holdings and their sales volume, investment plans, investment action schedule, investment financing structure) and a marketing plan (objectives, market analysis, pricing, product, distribution, promotion and advertising strategy). The second part of the action plan is the financial part in which the amount of capital needed for the group's functioning and sources of financing is indicated. The plan should be a roadmap of the group's activities; its final content will depend on the requirements set by the law for members of the group. The more precise the information it contains, the greater the chances of effective cooperation between the group members, which will ultimately contribute to the success of the venture.

5 Financial Aid for Groups of Agricultural Producers to Establish and Support Their Administrative and Investment Activities

According to art. 35 of the European Council Regulation No. 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277/1, 21.10.2005, as amended), support is provided to facilitate the creation and administrative operation of producer groups. However, according to the opinion of the European Commission, this support may also be used for investment purposes, as long as the group pursues the objectives of setting up the groups defined in art. 35 of the European Council Regulation No. 1698/2005. At the same time, the amount that can be allocated for investments depends on the group's decision. The purpose of creating an agricultural producer group is to adapt agricultural production to market conditions and jointly introduce goods to the market. This includes preparation for sale, improvement of management efficiency, production planning with particular emphasis on its quantity and quality, concentration of supply and organization of sales of agricultural products (centralization of sales and deliveries to wholesale customers), as well as protection of the natural environment, and establishing common rules for information on production, with particular reference to the collection and availability of products. A producer group creates new opportunities for farmers and contributes to: - improving product quality through the use of a uniform production technology; - creating a visible brand of goods; - reduction of production costs through joint purchase of production means; - the possibility to select contractors and negotiate prices with them; - eliminating brokers; - the possibility of using a common machine park; - ensuring a homogeneous breeding material; - creating the possibility of exchanging information in terms of production and technology; - providing jobs in rural areas; - establishing common rules regarding production information, with particular reference to harvesting and production availability; - raising production standards; -

rationalization of storage and distribution costs [6, 11, 13, 14]. As on Dec 31, 2014, 1,351 groups of agricultural producers were entered in the registers kept by voivodship marshals, of which 65% operate as limited liability companies, 31% in the form of cooperatives, 3% as unions, and 1% as associations. The number of registered groups is growing; in 2010, 157 groups were registered, in 2011, 227 groups were registered, in 2012-242, and in 2013-486. Currently, most groups of agricultural producers operate in the following voivodships: Wielkopolskie (419 groups), Dolnośląskie (130 groups) and Kujawsko-Pomorskie (123 groups). The least organized are agricultural producers in the Świętokrzyskie and Małopolskie voivodships, where the number of groups is the lowest, i.e. 15 and 19, respectively. Agricultural producer groups are most often established by the producers of pigs, cereal or oilseeds, and poultry. Pig producers are organized in 312 groups, producers of cereal or oilseeds in 307 groups, poultry producers in 274 groups, and producers of cereal in 100. Producers of milk formed 102 groups, producers of oilseeds - 69, of cattle - 56, and of potatoes - 33. In other industries, organization is low, below 10. The most numerous are groups of tobacco producers (11 120), of pigs (4 948), of milk (4 170), of cereal or oilseeds (2740) and of poultry (1 496). In total, all groups of agricultural producers in Poland associate 27 878 members.

6 Conclusions

The observed development of agricultural producer groups is an example of strengthening of the institutional structure in the primary agricultural production sector. Supporting the cooperation of agricultural producers by encouraging them to create producer groups translates into their activation in terms of creating commercial organizations [1, 7]. The above-mentioned considerations may indicate that, in particular, the purpose of the groups is to adapt the production of the associated agricultural holdings to market requirements, to jointly bring goods on the market, including preparation for sale, centralization of sales and delivery to wholesale customers [3, 10]. The described form of cooperation of producers undoubtedly favors the improvement of market competitiveness, and this is, among other things, the objective of any existing commercial organization. Thus, contemporary formalized forms of cooperation between agricultural producers bear many common features attributed to enterprises from other sectors of the national economy [15]. However, in order for the development of agricultural producer groups to continue, actions should be taken to raise the awareness of individual producers regarding the benefits that come from membership in an agricultural producer group, which may include: 1. Improved production planning and adapting it to the needs of recipients; 2. Reduction of production costs in the agricultural holding through joint purchases of means of production, joint use of equipment, preparation of products for sale and organization of sale; 3. Improved access to information; 4. Greater investment opportunities thanks to the combination of capital.

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