DEVELOPMENT OF PRODUCER ORGANIZATIONS IN AGRICULTURE OF THE EUROPEAN UNION

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Abstract
The article presents the experience of development and functioning of the producer organizations in the period of 2000-2004. This experience is quite important for Lithuania as its agricultural products face year by year growing competition from old EU member state farmer’s production.

Experience shows the most important proposal is to seek for new non-traditional ways for POs production sales stressing on production deliveries directly to wholesale. It is also important for Lithuanian POs to join the International POs as using their experience in cooperation will allow receiving the gains of cooperation within shorter time limits.

Keywords: producer organisations, EU support, total production, value of marketed production, channels of distribution, expenditure, operational fund.

Introduction
Lithuania as other EU member-states has an opportunity through the 2004-2006 Rural development plan (PDP) to get a support from EU for producer organizations. Lithuanian policy makers considering inefficient movement towards the development of POs in Lithuania have decided to support the process of creation and functioning of POs from National Budget. Nevertheless no one PO was created. It should be treated negatively as POs is a positive phenomenon. Cooperation of agricultural producers and/or processors is very important for Lithuania as it is a basis for better competitiveness of the producers and products.

POs in the EU-15 differs according to the country and sectors of production. POs cover up to 70-90 percent of particular sector activities. The progressive movement is seen not only in production activities but also in processing. This process goes ahead supported by two players: form one side – the producers themselves and the governments which support the process of cooperation by introducing the cooperation support schemes.

European Commission (EC) decision of 2004 states that EU policy for the nearest future will be concentrated on promotion of cooperation in Central and Eastern Europe countries (CEEC). The EU expects the CEEC receiving the support from EU will start effective campaign for promotion of development of cooperation in aforementioned countries despite the cooperation problems traditionally facing the in-country activities. Really, the measure „Support for PO’s“ is planed in the PDP for 2007-2013.

Problems related to development and functioning of POs are under consideration of Lithuanian scientists: J. Ramausauskas, V. Vaznonis, V. Lekavicius, J. Ramanauskiene. They mostly concentrate on investigating the
opportunities of creation of POs in fruit-vegetable and/or fishing sectors in Lithuania. Their studies represent the problems which the producers face during the POs creation process and perspective PO national model in Lithuania.

**Research objective and methods**

The objective is to investigate the experience of POs in the EU-15. Investigation methods: logical abstract, comparison, expertise, statistical grouping, indexes, other methods of analysis. Analysis of the production and economic indicators is based on information from European Commission Directorate General for Agriculture. Investigation period: 2002-2006

**Results**

The growth of production of the POs in 2000-2004 (EU-15) was not so fast as it was observed at the same period in the total fruit and vegetable sector. Total amount of fruit and vegetable production in EU-15 in 2000-2004 increased from 37,3 up to 43,2 EUR billion which make up some 4 percent yearly. At the same time the amount of production increased from 13,6 in 2000 up to 15,3 EUR billion in 2004 or about 3 percent yearly in average. At the same time the organization share indicator decreased from 36,5 percent in 2000 up to 35,5 percent in 2004 or by 1 percentage particle (Fig. 1).

![Figure 1. Dynamics of the POs agricultural production (EU-15) in 2000-2004, EUR Billion](source)

Source: DG Agriculture.

At the same time the increased number and production of POs actually did not increase the amount of production at the same extent for single PO. It means
the level of concentration of the production during the investigation period did not increase. Average PO produces in 2004 as much as it produced in 2000 – some 10 EUR million (Fig. 2).

![Figure 2. Dynamics of the number of POs (EU-15) in 2000-2004, units](image)

Source: DG Agriculture.

The most rapid movement in the growth of POs was observed in Spain and Italy but it goes in a different way: in case of Spain the growth was observed both in total growth of POs (1,08 times) and POs associations (1,65 times), and in Italy it was observed just in total growth of POs (1,6 times). In other 12 countries the situation has not changed essentially, or just small changes took part. In France – the second largest EU-15 country in terms of POs (after Spain) – both the number of POs and POs associations has decreased.

The leaders of the new member states in POs process are Hungary, Czech Republic, Poland and Cyprus.

Total revenue of average PO in 2000-2004 increased from 9,8 EUR million up to 10,2 EUR million or by 4 percent in average. Across country analysis shows the Netherlands is the single leader by the total revenue received by one PO – 113-124 EUR million in average for one year for the period 2000-2004 (although it is less than in previous years by 9 percent) while the second place Belgium PO earns 3 times less. During the investigation period just 3 EU countries out of 15 has experienced the decrease in the POs total revenue while the rest 12 countries experienced the growth of the POs total revenue to a more or less extent (Table 1).
Table 1

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Source: DG Agriculture.

The dynamics of the newly established and the withdrawn POs shows that the number of newly established POs exceeds the number of withdrawn POs each year of the investigation period (Fig. 3).

![Figure 3. Dynamics of the newly established and withdrawn POs (EU-15) in 2000-2004, units](image)

Source: DG Agriculture.
The number of natural person’s POs decreased from 455,6 in 2000 up to 237,5 thousand members in 2004, while the number of legal entity’s POs at the same period was the opposite – the number of them increased from 2,6 up to 14,3 thousand members or more than 5 times (Fig. 4 and 5).

**Figure 4. Dynamics of the person POs (EU-15) in 2000-2004, thousand units**

Source: DG Agriculture.

**Figure 5. Dynamics of the legal entities POs (EU-15) in 2000-2004, thousand units**

Source: DG Agriculture.
During the 2000-2004 even more strong tendencies are observed in creation of the International POs, which increased in number from 90 POs in 2000 up to 751 PO in 2004 or more than 8 times.

The POs production of all categories was increasing except the mixed production category which makes up some 51 percent in total production in 2000. In the 2004 mixed production category decreased to 9 percent. The most rapid growth was experienced for POs producing nut (from 1 to 12 percent) and vegetables (from 9 to 25 percent). The current structure (2004) of the POs production is presented in Fig. 6.

![Figure 6. Structure of PO production (EU-15) by category of production in 2004, percent](image)

**Source:** DG Agriculture.

The main channel of distribution of POs production was and still is wholesale/central buying/market which makes up to 46 percent of total production amount while all other channels of distribution are far behind.

Talking of the dynamics of finance activities of POs there is a clear tendency of increasing Operational Fund (OP) (POs contributions plus EU support) (Fig. 7). It is also important that the share of support in total OP was stable during 2001-2003 and it increased just in 2004 and reached the level of 84 percent.

Talking of the dynamics of the POs structure of expenditure during the investigation period the tendency of increasing expenditures prevails. Expenditures related to sales of the POs production are increasing all over the investigated period while all other types of expenditure – production, control and other – diminish. Expenditures related to sales increased from 35 percent in 2000 up to almost 50 percent in 2004.
Conclusions
1. The growth of the production of the POs in 2000-2004 (EU-15) was not so fast, as it was observed at the same period in other fruit and vegetable sector.
2. The grown up number and production amounts of POs during the period of investigation did not increase significantly the production amounts for one single PO. The production amount for single PO increased from 9,8 EUR million to 10,2 EUR million or just by 4 %.
3. The number of the PO organized by natural persons decreased during the investigation period from 455,6 thousand in 2000 to 237, 5 thousand members in 2004, e. i. decreased almost by half, while the number of POs organized by legal entities at the same period increased from 2,6 thousand up to 14,3 thousand or more than 5 times.
4. The POs production of all categories was increasing except the mixed production category which makes up some 51 % in total production in 2000. In the 2004 mixed production category decreased to 9 %. The most rapid growth was experienced for POs producing nut (from 1 to 12 %) and vegetables (from 9 to 25 %).
5. POs expenditure has a stable tendency of increase. Expenditures related to sales of the POs production is increasing all over the investigated period while all other types of expenditure – production, control and other – diminish. Expenditures related to sales increased from 35 percent in 2000 up to almost 50 percent in 2004.

References


РАЗВИТИЕ ОРГАНИЗАЦИЙ ПРОИЗВОДИТЕЛЕЙ В СЕЛЬСКОМ ХОЗЯЙСТВЕ ЕВРОПЕЙСКОГО СОЮЗА

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Аннотация
В статье представлен опыт развития и функционирования организаций производителей в 2000-2004 гг. Этот опыт достаточно важен для Литвы, поскольку ее сельскохозяйственная продукция сталкивается с возрастающей из года в год конкуренции со стороны стран-старших членов ЕС. Опыт показывает, что наиболее важным предложением является поиск новых нетрадиционных каналов реализации продукции с акцентом на прямые оптовые поставки. Для литовских ОП важно также объединение с международными ОП, так как использование их опыта позволит получить выигрыш в более короткие сроки.

Ключевые слова: организации производителей, поддержка ЕС, валовое производство, стоимость реализованной продукции, маркетинговые каналы, затраты, операционный фонд.