DEVELOPMENT OF PIG PRODUCER GROUPS IN POLAND

Elżbieta Szymańska
Warsaw University of Life Science, Poland

Abstract
The aim of this research was to define the state and the trends in the development of producer groups created by farmers involved in pig breeding. The premises for encouraging farmers to take part in team work and the benefits, especially financial, resulting from registering a group have been taken into account. The researches show that process of forming ‘producer groups’ in Poland is very slow. Due to producers’ joint activity, it is possible to undertake common marketing enterprises facilitating beneficial positioning on the market and outstripping competition.

Key words: pig producer groups, legal forms, financial aid.

Introduction
Pig breeding in Poland is very dispersed. 726,4 thousand farms with an area above 1 ha, and 33,1 thousand units with an area below 1 ha are involved in pork production in Poland. In 2005, 42,9 % of these farms possessed up to 9 pigs. The proportion of operations possessing more than 100 animals of this breed was 5,0 % [GUS 2006].

The fragmentation of farms, and the small scale of production that results from it, make it impossible to achieve satisfactory profitability and hinder the finding of markets for the farmed products. A significant limitation of this barrier may come from the developing common activity of producers in the form of formal groups, companies, co-operations or associations of different kinds.

The effects of group management in the countries of Western Europe confirm this thesis. In Denmark over 90% of pigs are sold via co-operatives. The increasing market demand also forces producers to continuously improve the quality of raw materials, as well as the finished food product. Linking knowledge and experience, with current world trends and scientific progress in the given field of production, makes it much easier to meet these requirements.

The statutory and organizational facilities, aimed at expanding the joint efforts already made in Poland in the last few years, have already brought some practical effects. But the scale of interest from farm producers in group forms of co-operation appears to be minimal. This also applies to pig breeders. This, probably, results from the bad experiences of agricultural co-operatives in the past.

Research objectives and methods
The aim of this research was to define the state and the trends in the development of producer groups created by farmers involved in pig breeding. Within this scope of interest the premises for encouraging farmers to take part in
team work and the benefits, especially financial, resulting from forming and registering a group have been taken into account. The analysis is based on data obtained from the Central Statistical Office (Główny Urząd Statystyczny – GUS), Ministry of Agriculture and Rural Development (Ministerstwo Rolnictwa i Rozwoju Wsi – MRiRW), Agency for the Restructuring and Modernisation of the Agriculture (Agencja Restrukturyzacji i Modernizacji Rolnictwa – ARiMR) and literature on the subject. Furthermore, the results of research carried out with the help of a survey questionnaire taken in five pig producer groups in north-eastern Poland, have been taken into consideration. These concerned the reasons for joining producer groups and the benefits resulting from team work. Descriptive methods, as well as tabular and graphical statistics were used in the data analysis.

Results

The process of forming producer groups in Poland was regulated by the act of 15th September 2000 concerning farming producer groups and their associations, and the modification of other acts. Since then an increase in the number of registered producer groups has been observed. In 2001 there were officially 6 such subjects and by the end of 2006 their number had increased to 152 [Miłosławskaa-Kozak 2006]. Nevertheless, substantial differences appeared in specific production branches. According to the data obtained from MRiRW, pig producers created 41 such groups [KRS 2007].

The interest on the part of farmers was spatially diversified. The greatest number of pig producer groups was created in Wielkopolskie (19) and Kujawsko-Pomorskie (7) voivodeships. Probably, this stems from the fact that these voivodeships dominate nationally in the field of pork production. On the other hand, in voivodeships such as: Dolnośląskie, Lubuskie, Łódzkie, Podlaskie and Zachodnio-Pomorskie no pork producer groups were formed (table 1).

The producer groups that were created utilized different legal forms. Pig producers usually chose the form of a union and co-operation, only then an association and finally a limited liability company (Fig. 1).

The premises of taking part in team work by pig producers were defined in research carried out in north-eastern Poland. The results of this research show that, through forming a producer group farmers mainly wanted to strengthen their position on the market.

They were aware of the fact that a single producer is not able to oppose an organized sphere of purchase and processing. Moreover, they pointed to the possibility of lowering costs through common supply in production goods and group investment. According to them, a farming producer group is seen as one subject ready to purchase large amounts of goods and services and supply large and homogenous batches of products. As a result, it can negotiate better prices of purchasing product items and in selling products (Fig. 2).
### Table 1

**Numbers of producers’ groups in voivodeships**

<table>
<thead>
<tr>
<th>Voivodeships</th>
<th>Total</th>
<th>Pigs</th>
<th>Grains of cereals and oil-bearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dolnośląskie</td>
<td>18</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Kujawsko-pomorskie</td>
<td>25</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Lubelskie</td>
<td>11</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Lubuskie</td>
<td>4</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Łódzkie</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Małopolskie</td>
<td>11</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Mazowieckie</td>
<td>8</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Opolskie</td>
<td>14</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Podkarpakie</td>
<td>10</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Podlaskie</td>
<td>4</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Pomorskie</td>
<td>6</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Śląskie</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Świętokrzyskie</td>
<td>4</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Warmińsko-mazurskie</td>
<td>4</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Wielkopolskie</td>
<td>24</td>
<td>19</td>
<td>4</td>
</tr>
<tr>
<td>Zachodniopomorskie</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: [KRS 2007].

### Figure 1. Legal forms of pig producer groups

Source: [KRS 2007]
Figure 2. Reasons for joining a producer group

Source: [Knoblauch, Kisiel 2004].

More than a quarter of the farmers that joined a producer group did so in order to have the possibility to exchange experiences and benefit from training. Every fifth respondent was driven by the willingness to act as a part of a group and was instigated on the part of other members of the group.

In practice, forming producer groups, according to their members, brought numerous benefits. The most important being the improvement in production profitability and negotiating contracts for production goods purchase, including breeding materials. Over 90% of respondents pointed to cost calculations, which before joining a group either did not occur or did not exert a great influence on their activity.

Due to functioning as a group, farmers had a more secure market for their products, which is especially important in the case of pork producers markets, because of cyclical supply and hedge fluctuations. Over 3/4 of respondents pointed to common investment crediting as one of the advantages of functioning in a group. Equally, every second farmer pointed to higher prices of pork sales and the possibility to negotiate them. What is more, 1/3 of farmers mentioned having access to market information and participation in training, as a positive aspect of group cooperation (Fig. 3).

An additional asset for formally registered farming producer groups became financial aid, especially, when Poland joined the EU. Groups that were entered into the voivodship register by 30th April 2004 may receive aid from the national budget. The amount of financial aid is a percentage of the documented annual income generated from the sales of products manufactured on the farms belonging to the members of a group. In the subsequent five years from the date of creating a group it amounts to 5%, 4%, 3%, 2% and 1% of the sales value.
Figure 3. Benefits from the participation in a producer group
Source: [Knoblauch, Kisiel 2004].

However, the financial aid cannot exceed the cost of forming a group and the cost of its annual administrative activity. It cannot be higher than the defined multiple of the average monthly salary in the national economy, announced by the president of GUS (80 times the original value in the first year, 64 times the original value in the second year, 48 times the original value in the third year, 32 times the original value in the fourth year and 16 times the original value in the fifth year) [Krzyżanowska 2006].

The groups entered into the register after 1st May 2004 may receive financial aid within the Rural Development Plan (Plan Rozwoju Obszarów Wiejskich - PROW); at first from the PROW measures for 2004-2006, currently from the measures for 2007-2013. Assistance is offered only to groups which were formally accepted by a voivodship competent for the seat of the group in the period between Poland joining the EU and the end of the period covered by the Program. Aid is granted based on a group’s application, submitted to ARiMR. The following documents should be enclosed in the application:

- voivodship decision accepting the group;
- updated extract from the National Court Register;
- scheme of activity for the given year in accordance with the long-term scheme as far as the aims and directions of the group’s activity are concerned;
- a statement of planned sales of products manufactured on the farms belonging to the members of a group made by the group;
- a statement of planned costs of forming a group and the costs of its administration [Krzyżanowska 2006].

The financial aid for farming producer groups is granted in the form of annual payments during the period of the first five years from the moment of entering the group into the register held by the voivodship. The amount of financial aid is calculated on the basis of the annual net value of the sold production of the farms belonging to the members of a group. In the subsequent five years it amounts respectively to:

- 5%, 5%, 4%, 3% and 2% of the sold production value up to € 1 mln;
- 2,5%, 2,5%, 2%, 1,5% and 1,5% of the sold production value above € 1 mln;

The financial aid cannot exceed the amount of € 100 000 in the first and second year, € 80 000 in the third year, € 60 000 in the fourth year and € 50 000 in the fifth year. Moreover, a farming producer group may obtain financial aid only once in the course of its activity [Zmudzińska 2006].

The aim of supporting farming producer groups is to increase the farmers’ income through lowering the costs of production, improve its quality, create a common system of selling the products, define common rules of promotion of the product, taking into account crops and product availability.

Registered producer groups also have the possibility to petition for a preferential credit for the realisation of investment in farming, farm and food processing and services for farming. However, this credit cannot be used for buying farming machinery, equipment and tools, which were manufactured more than three years before the date of purchase or were the subject of turnover under national preferences.

The amount of the credit cannot exceed 70% of the value of investment expenditure on the enterprises undertaken by a farming producer group; however, it cannot be more than 8 mln zł or 16 mln zł for meat processing. The credit may be granted for a period of 8 years maximum, with the possibility to apply for a two-year delay period as far as capital repayment is concerned [Nowak 2006].

A group can obtain an exemption from tax on newly built or modernised buildings and property, put into use and used by the group within the scope of its statutory activity during a period of 5 years from the date of entering the group into the register. Farming producer groups possessing a legal form may also take advantage of many activities included in PROW for 2007-2013. These are: professional training, farm modernisation, increasing basic production added value, farmer participation in food quality systems, information and promotional activities, counselling for farmers and forest owners, diversification in the direction of non-agricultural activity and micro-enterprises.
Conclusions

1. The process of forming ‘producer groups’ in Poland is very slow. The small number of registered groups and organised farmers confirms this fact. By the end of 2006, 152 groups were registered, including 41 formed by pig producers. The development of farming producer groups requires substantial changes in the mentality of the inhabitants of the countryside. It is therefore important to provide farmers with knowledge concerning the new forms of running farms and the benefits available from joint activities.

2. Among the most important reasons that governed the pork producers decision, concerning integration, was a strengthening of their position on the market, the possibility to make common purchases, guaranteeing discounts and securing the market. The additional factors that influenced the development of producer groups in the country was Poland joining the EU and the possibility to obtain financial aid for forming an organised farming producer group and covering the administrative costs of it.

3. The Local Government authorities, and organizations such as Agricultural Chambers (Izby Rolnicze) and Agricultural Advisory Centres (Ośrodki Doradztwa Rolniczego), should put more effort into encouraging the creation of unions, companies or co-operatives among pig producers. A very important role in this field may belong to meat processing plants. Greater activity from them in organising the base of their raw materials may lead to the strengthening of vertical integration and as a result contribute to creating organized structures that would standardize the production of small farms through the system of agricultural produce delivery.

4. Due to producers’ joint activity, it is possible to undertake common marketing enterprises facilitating beneficial positioning on the market and outstripping competition. Joint initiatives in the field of pig breeding such as: introducing a homogenous system of feeding and regular genetic regeneration of the herd, enables the farmers united in producer groups to easily administer the uniform assortment of their products, which should mean that finding buyers is easier.

References


РАЗВИТИЕ ОБЪЕДИНЕНИЙ ПРОИЗВОДИТЕЛЕЙ СВИНИНЫ В ПОЛЬШЕ

Шиманска Е.
Варшавский университет наук о жизни, Польша

Целью данного исследования было определение состояния и тенденций развития групп производителей свинины, созданных фермерами-свиноводами. Учтены предпосылки поощрения участия фермеров в коллективной работе, особенно финансовые преимущества после регистрации объединения. Исследования показывают, что процесс формирования объединения производителей в Польше проходит очень медленно. Благодаря совместной деятельности производителей возможно создание сбытовых структур, которые помогут этим объединениям занять благоприятную рыночную позицию и обойти конкурентов.

Ключевые слова: объединения производителей свинины, правовые формы, финансовая помощь.