Agricultural producer groups
- new form of farmers’ economic activity on the market

including activity in the form of trade co-operatives
Today in the countries of the ‘old' European Union and in other parts of the world there are no groups of agricultural producers – in those countries the term ‘groups’ refers to co-operatives associations which join together to form increasingly larger economic units in order to obtain a stronger position on the global market.

In Poland and probably also in other post-communist countries farmers do not identify themselves with co-operatives from 1945-1989 period and for this reason the concept of groups of agricultural producers was introduced to provide incentive for them to organize.
Reasons why farmers should organize themselves:

- Agricultural holdings, regardless of their size, are small entities on the market,
- Globalisation is progressing – the number of customers for agricultural products is decreasing,
- The customers are looking for large, uniform batches of agricultural products,
- Joint selling of larger batches of products can serve to ensure better prices and better market position,
- Joint purchasing of agricultural inputs reduces high costs of production,
- Creating an opportunity for joint investment.
EU legal bases for farmers’ self-organization

1. Treaty of Accession of Poland to the EU Chapter IX a, Article 33d,

National legal bases

Act of 15 September 2000
on groups of agricultural producers
and their unions and on amendment of other Acts

specifies

the rules governing organization of agricultural producers into groups and unions and conditions of providing financial support for the creation and functioning of such groups
Groups are created in order to:

- Adjust agricultural production to market conditions,
- Improve the effectiveness of farming,
- Develop production plans (quantity, quality),
- Accumulate supply and organize sales of agricultural products,
- Protect the environment.
The following entities may become members of the group:

- natural persons;
- legal persons;
- organizational entities not having legal personality which run a holding in the meaning of tax legislation;
- natural persons conducting agricultural activities falling in the scope of special divisions of agricultural production.
The group must:

- be created by the producers of a single product or groups of products (Annex to Ordinance of the Minister of Agriculture and Rural Development);
- perform activities on the basis of a statute or agreement;
- consist of at least five members;
- specify the rules of production applicable to their members (quality, quantity, preparation for sale);
- none of the members or shareholders can hold more than 20% of votes (during a general meeting).
The act of incorporation **must** provide for:

- affiliation with only one group for a given product or group of products,
- minimum period of membership (3 years),
- rules on admittance and withdrawal of members,
- rules on disposal of assets and shares,
- rules on the sale of entire output by the group (and derogations – in practice no more than 10%),
- information on sales and prices outside of the group,
- creation and use of a special fund,
- sanctions.
The group must:

• generate income from the sales of products or groups of products manufactured in the holdings of its members, constituting more than a half of the group’s income from the sales of products or groups of products for which the group has been created;

• specify the production rules applicable to the members of the group, including rules on quality and quantity of products and the methods of preparing products for sale - obligation to develop and sign membership contracts within the groups.
The act of incorporation can include:

- rules on joint supply of inputs
- rules on joint usage of machines
- rules on promotion of products
- requirements regarding storage, placing and standardization.
Legal forms of the agricultural producer groups

A group of agricultural producers conducts its activities as an economic operator having legal personality.

In Poland groups can function as:

- **Co-operatives** - currently **28% of groups** operate in this legal form
- **Limited liability companies** - **65%**
- **Associations** - **6%**
- **Unincorporated bodies** - **1%**
- **Joint-stock companies** - **0%**

Co-operative groups have over 2.5 times more members than limited liability companies.
What should be taken into account when selecting the legal form?

The group is formed in order to accomplish economic goals, and therefore it is necessary to choose a legal form best suited to achieving such a goal, i.e. the form of a co-operative or a limited liability company.

When selecting the legal form and making a choice between a co-operative and a limited liability company we need to consider the following question: whether we want people to be equal in our organization – co-operatives, or whether we want the amount of money invested in a company to have a decisive influence, translating into voting rights.

For the past 5 years farmers did not form almost any associations or incorporated bodies.
Main economic objectives of establishing groups:

- cheaper, joint supply of agricultural inputs,
- better terms of outputs sales,
- more effective use of machines and equipment,
- possibility to conduct joint marketing activities,
- opportunity for joint investment,
- restoring the farmer’s position on the market,
- time savings.
Ordinance
of the Minister of Agriculture and Rural Development on the list of products and groups of products with regard to which groups of agricultural producers can be established, the minimum annual output of goods and the minimum number of members of a group of agricultural producers
<table>
<thead>
<tr>
<th>No.</th>
<th>The list of selected products and groups of products – full list presented in the Annex to the Ordinance of the Minister of Agriculture and Rural Development</th>
<th>Minimum annual output of goods GAP (in tonnes, units, hectares, PLN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Live horses, horsemeat: fresh, chilled, frozen</td>
<td>24 units</td>
</tr>
<tr>
<td>2</td>
<td>Live bovine animals, animals for slaughter and breeding animals, beef: fresh, chilled, frozen</td>
<td>80 units</td>
</tr>
<tr>
<td>3</td>
<td>Live swine, piglets, pigmeat: fresh, chilled, frozen</td>
<td>4 000 units</td>
</tr>
<tr>
<td>4</td>
<td>Live sheep and goats, greasy shorn sheep wool, sheepmeat: fresh, chilled, frozen</td>
<td>600 units</td>
</tr>
<tr>
<td>5</td>
<td>Live poultry, poultry meat and edible poultry offal: fresh, chilled, frozen</td>
<td>500.000 units, 4.000 units, 4.000 units, 4.000 units, 4.000 units, 4.000 units, 500 units</td>
</tr>
<tr>
<td>No.</td>
<td>Product Description</td>
<td>Quantity</td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------------------------------------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>6</td>
<td>Birds’ eggs</td>
<td>500,000 units</td>
</tr>
<tr>
<td>7</td>
<td>Potatoes fresh or chilled:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Edible varieties - all or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Early edible varieties or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Other edible varieties or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Industrial varieties or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Edible and industrial varieties</td>
<td>750 tonnes</td>
</tr>
<tr>
<td>8</td>
<td>Cereal grains</td>
<td>600 tonnes</td>
</tr>
<tr>
<td>9</td>
<td>Oilseeds</td>
<td>900 tonnes</td>
</tr>
<tr>
<td>10</td>
<td>Cereal grains and oilseeds</td>
<td>1200 tonnes</td>
</tr>
<tr>
<td>11</td>
<td>Sugar beets</td>
<td>6000 tonnes</td>
</tr>
<tr>
<td>12</td>
<td>Flax and hemp grown for fibre</td>
<td>20 hectares</td>
</tr>
<tr>
<td>13</td>
<td>Hops</td>
<td>60 hectares</td>
</tr>
<tr>
<td>14</td>
<td>Dried tobacco leaves</td>
<td>380 tonnes</td>
</tr>
<tr>
<td>15</td>
<td>Seed and seed potatoes</td>
<td>PLN 900 000</td>
</tr>
<tr>
<td>16</td>
<td>Plant products for technical use or for energy production</td>
<td>PLN 50 000</td>
</tr>
<tr>
<td>17</td>
<td>Organically farmed products</td>
<td>PLN 40 000</td>
</tr>
</tbody>
</table>

* For voivodeships characterized by lower agricultural production capacity minimum output volumes for groups are appropriately lower 1 € = PLN 3.5
Obtaining group status

An undertaking registered in the Register of Entrepreneurs of the National Court Register must apply to the Voivodeship Marshall (competent for the location of the group’s registered office) for making an entry in the Register of Groups of Agricultural Producers. Group’s Action Plan for the first 5 years of activity shall be attached as an Annex to this application.

After registering in the Marshall’s Office, the group must file an application for financial support (flat-rate) to the Agency for Restructuring of Agriculture (Paying Agency) within the period of 6 months.

After each five years of activity the group submits a request for payment to the Agency for Restructuring of Agriculture, together with the list of the group’s sales. (in the first year of operation the group can obtain a 25% advance payment).
## Flat-rate support for groups

### Flat-rate aid for groups of agricultural producers

For facilitating the creation of groups and their administrative operation – Measure ‘Groups of Agricultural Producers,’ RDP 2007-2013

<table>
<thead>
<tr>
<th>No.</th>
<th>Year of operation</th>
<th>Amount of aid in relation to sales value, up to the PLN equivalent of EUR 1 million (%)</th>
<th>Amount of aid in relation to sales value, exceeding the PLN equivalent of EUR 1 million (%)</th>
<th>Maximum annual amount of aid (thousands of EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>first</td>
<td>5.0</td>
<td>2.5</td>
<td>100</td>
</tr>
<tr>
<td>2.</td>
<td>second</td>
<td>5.0</td>
<td>2.5</td>
<td>100</td>
</tr>
<tr>
<td>3.</td>
<td>third</td>
<td>4.0</td>
<td>2.0</td>
<td>80</td>
</tr>
<tr>
<td>4.</td>
<td>fourth</td>
<td>3.0</td>
<td>1.5</td>
<td>60</td>
</tr>
<tr>
<td>5.</td>
<td>fifth</td>
<td>2.0</td>
<td>1.5</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Maximum amount of aid which a group can obtain during the period of 5 years</td>
</tr>
</tbody>
</table>

*the amount of flat-rate support granted to groups of fruits and vegetables producers is twice as big, but cannot exceed EUR 500,000
Eligibility criteria

The amount of flat-rate support for groups is calculated on the basis of documented annual net incomes from the sales of products or groups of products for which the group has been created, produced in the holdings of its members.

Support will be granted only to groups of agricultural producers which were registered in group registers kept by Voivodeship Marshalls.
Possible ways of using flat-rate aid for groups

• for facilitating the creation and administrative operation of groups of producers in order to:
  a) adjust to market requirements concerning the production process and the output of producers – group members,
  b) jointly place the goods on the market, including preparation for sale, centralization of sales and delivery to wholesale customers,
  c) introduce common rules concerning information on production, especially on harvests and availability,

• for investments, if the group pursues objectives specified in Regulation (EC) No 1698/2005, especially conditions set out in the above mentioned Article 35 of this Regulation. According to the position of the EC, the groups can make a decision concerning the amount of aid for investments.

Group makes and independent decision on how to allocate these funds, in accordance with the above mentioned requirements.
Budget of Measure ‘Groups of Agricultural Producers’

In the framework of Rural Development Programme (RDP) 2007-2013 a budget of EUR 140 million was earmarked (EU share of 105 million + Poland’s share of 35 million).

According to plans these funds will allow 50 GAP to be created annually.
It was assumed that the groups will consist of 35 producers on average.

In practice it turned out that around 150 groups consisting on average of 10 agricultural producers are being created annually.
Other forms of support for GAP—RDP, national aid

**Rural Development Programme (RDP) for 2007-2013** is financed through the EU European Agricultural Fund for Rural Development (EAFRD) – EUR 13.2 billion and through Polish public funding amounting to approximately EUR 4 billion.

**Increasing the added value of agricultural and forest production** – support for processing and wholesale sale of agricultural products, up to 50% of the investment costs, maximum grant amount of PLN 20 million (RDP).

**Establishing and developing microenterprises** – support for economic competitiveness of rural areas and development of entrepreneurship and the labour market, up to 50% of the costs of creating jobs, maximum grant amount of PLN 300 000 (RDP).

**Information and promotional activities** – increasing demand for high quality food, increasing consumers knowledge about the products’ advantages, 70% of the costs of activities (RDP).

**Preferential credits** – special credit line for investments carried out by groups of agricultural producers, maximum amount of credit - PLN 16 million, 2% annual interest rate (national aid).
Tax exemptions

Exemption from property tax for a period of 5 years for buildings and structures occupied by groups of agricultural producers and used exclusively for the purposes of conducting activities related to sales of products or groups of products produced in agricultural holdings of the members of the group,

Exemption of income generated by the group of agricultural producers from the sales of products or groups of products for which the group has been established, produced in agricultural holdings of its members from taxation in part expended on the members of the group, allocated for the purchase of agricultural inputs provided to the group members and for the training of group members.
Groups and organizations of producers of fruits and vegetables

Aid for groups and organizations of producers of fruits and vegetables is granted in the framework of Common Organisation of Agricultural Markets,

The amount of flat-rate support is twice as large as the amount for GAP, limited to EUR 500,000 in the period of first 5 years of operation,

Possibility of obtaining support for groups in the amount of up to 75% of the investment costs included in the approved plan concerning the recognition of the group as an organization,

Subsidies for the operational fund for organizations of producers – amount of financial aid up to 4.1% of the value of products sold by the organization (value of aid may be increased to up to 4.6% when carrying out activities related to prevention of crises and crisis management).
Stages of the process of creation of a group of producers

Order of activities taken when creating a group:

1. Analysing whether the group will be able to function on the market
2. Planning of the group’s activities, organizing working meetings
3. Preparation of the action plan
4. Choice of legal form
5. Development of the statute/agreement, organizing a meeting of founders
6. Registration
   - registration in the National Court Register (the Register of Entrepreneurs)
   - registration in the administrative register (registration in Marshall’s Office and Agency for Restructuring of Agriculture)
   - registration in the Statistical Office (obtaining REGON number)
   - registration in the Tax Office (obtaining NIP number)
   - creation of a bank account
   - registration in the Social Insurance Institution (in case of employment within the group)
Lessons Learned

Problems with creating groups of agricultural producers

- Reluctance to conduct joint activities – farmers’ individualism
- Mutual distrust between agricultural producers
- Bad experiences related to the functioning of agricultural cooperatives in the People’s Republic of Poland
- Lack of experience of farmers in joint economic activities under free market conditions
- Lack of a basis (an office building, infrastructure) on which the groups could establish their economic activities
- Lower position of farmers on the agricultural market due to lack of shares in agri-food processing establishments and establishments for wholesale marketing of agricultural products
At the end of 2011 there were **824 groups**, including:

- 351 groups of producers of cereal grains and/or oilseeds,
- 154 of swine,
- 152 of poultry,
- 52 of milk,
- 24 of potatoes,
- 12 of sugar beet,
- 11 of tobacco leaves.

The level of organization of other trades is significantly weaker.

Overall GAP have more than **25 000 members**, including over **12 000 members in groups of tobacco producers**.

Over **6 000 members belong to 230 groups and 50 organizations of producers of fruits and vegetables**.

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*Prepared on the basis of data from the National Network of Rural Areas and registries of groups kept by the Voivodeship Marshalls, as of 31.12.2011. Data do not cover members organized in dairy co-operatives.*
List of the main legal acts - GAP

**EU legislation:**

1. Accession Treaty Chapter IX a, Article 33d,

**National legislation:**

2. Ordinance of the Minister of Agriculture and Rural Development of 20 April 2007 on detailed conditions and procedure of granting financial aid under the „Groups of Agricultural Producers” measure in the framework of Rural Development Programme for 2007—2013 (Journal of Laws of the Republic of Poland of 2007, No 81, item 550 as amended),
3. Ordinance of the Minister of Agriculture and Rural Development of 9 April 2008 on the list of products and groups of products with regard to which groups of agricultural producers can be established, the minimum annual output of goods and the minimum number of members of a group of agricultural producers (Journal of Laws of the Republic of Poland of 2008, No 72, item 424 as amended)
List of the main legal acts – GP and OP of F&V

EU legislation:


National legislation:

1. Act of 19 December 2003 on organization of fruit and vegetable markets, hops market, tobacco market and dried fodder market (Journal of Laws of the Republic of Poland of 2008, No 11, item 70 as amended);
2. Ordinance of the Minister of Agriculture and Rural Development of 16 December 2008 on conditions of preliminary recognition of groups of producers of fruits and vegetables, on recognition of organizations of producers of fruits and vegetables and on conditions and requirements applicable to plans for obtaining recognition (Journal of Laws of the Republic of Poland of 2009, No 5, item 27);
3. Ordinance of the Minister of Agriculture and Rural Development of 17 June 2009 on detailed conditions of granting financial aid for preliminarily recognised group of producers of fruits and vegetables and on the list of eligible investment costs covered by the approved plan for obtaining recognition (Journal of Laws of the Republic of Poland No 98, item 822);
author:

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Consultation:

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NATIONAL CO-OPERATIVE COUNCIL
– Supreme Co-operative Self-Government Authority, Poland