

3. Concept and State of Producer Organizations Development in European Organic Farming

Vesna Paraušić¹, Svetlana Roljević Nikolić²

¹Institute of Agricultural Economics, Belgrade, vesna_pa@iep.bg.ac.rs;

²Institute of Agricultural Economics, Belgrade, svetlana_r@iep.bg.ac.rs

Abstract: The “European Green Deal” as a new set of European Commission's policy initiatives, and the "Farm to Fork Strategy" within this policy, emphasize the importance of sustainable development, circular and resource-efficient economy. "Farm to Fork Strategy" promotes further development of organic agriculture and also contains proposals to improve farmers' market position in the food value chain. One of the best ways to improve the market position of farmers is the farmers' associations, primarily producer organizations. The organic farming is one of the rare sectors where small-scale production is not an obstacle to competitiveness and where the increase in assets and funds (consolidation) is not an imperative for market success, so producer organizations represent an ideal type of cooperation, contributing to strengthening farmers' market position in the organic food supply chain. The authors analyze the concept of producer organizations and the state of their development in the European organic farming sector, to point out the possibilities of further development of organic production together with improving the market position of farmers in this production.

Keywords: organic farming, producer organizations, market access, food supply chain, bargaining power.

1. Introduction

The role of agriculture in the developed economies of the world has changed significantly in the last few decades and is moving in the direction of sustainability, "Green Deal", multifunctionality and diversification of activities on farms. In such circumstances, organic agriculture, as a system that is sustainable in environmental, economic and social terms, plays an important role.

Based on the principles of sustainability and developed towards multifunctionality, organic farming is aimed at producing quality and safe food for the population, while contributing to the preservation of natural resources, animal welfare, overall rural development and preservation of cultural, historical and landscape identity. This method of farming provides the possibilities of employment and income growth, while the associations of organic producers offer numerous benefits for the regional economy (Offermann & Nieberg 2000; Pugliese 2001; Finley et al. 2017; Qiao et al. 2018). The results of a study that included seven-year-long research and monitoring of small-scale households dealing with organic farming in the mountainous areas in Jiangxi Province, China, show that organic farming contributed to higher incomes of small-scale and medium-scale households in comparison to those practicing conventional farming (Qiao

et al. 2018). Also, organic farmers which were members of cooperatives performed better economically than those who operated individually (Qiao et al. 2018).

The “Farm to Fork Strategy” 2020 is an integral part of the new EU development strategy for the 21st century – “The European Green Deal” 2019 (European Commission 2019). This strategy emphasizes, inter alia, the importance of the use of sustainable practices, such as organic farming and ways in which the European Commission will act to “help farmers and fishers to strengthen their position in the supply chain and to capture a fair share of the added value of sustainable production” (European Commission 2020, p. 10).

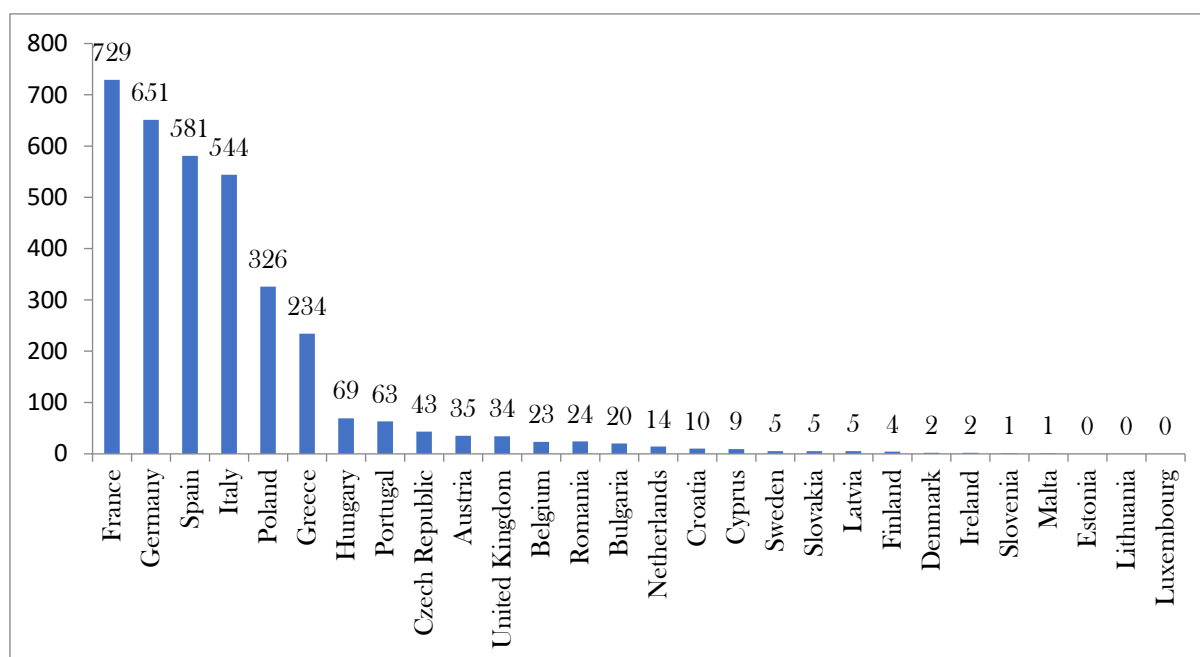
A significant existing instrument of improving the market position of farmers in the agricultural and food supply chain, within the EU policy of the rural development is producer organizations (abbr. POs), which “help farmers to face together the challenges posed by increased competition and consolidation of downstream markets concerning the marketing of their products including in local markets” (Regulation (EU) No 1305/2013). Recognized POs contribute to a range of benefits for agricultural producers. They strengthen farmers’ position in the food supply chain by ensuring better market access and greater bargaining power in regard to their business partners, for example by defining the different conditions of purchase contracts (Amat et al. 2019). POs also can ensure technical assistance to production (e.g. supporting producers participating in various production or product certification schemes); infrastructure for production, storage or processing plants (e.g. joint procurement or use of equipment, facilities); research and development activities, and all of these activities can decrease production and transaction costs (Amat et al. 2019).

The growing importance of POs is a response of small-scale and medium-scale farmers to numerous market factors that harm their competitive position and decrease their income and market power, such as:

- Processes of globalization and liberalization of the agricultural products market;
- Imbalance of economic powers of market participants between numerous small-scale agricultural producers who offer goods, and few economically strong and concentrated participants who demand goods (retailers, hypermarkets, processors, exporters);
- Consolidation of agricultural production (enlargement processes);
- The inefficient policy of competition protection (unfair competition, dishonest practices of buyers, unfavorable conditions of purchase contracts for farmers);
- The unstable market of agricultural products (in terms of prices, quantities and alike);
- Difficulties in placing small quantities of products on the local market, and especially on the global agricultural market.

According to the Directorate-General for Agriculture and Rural Development database of recognized POs in EU countries (DG AGRI 2019), in the middle of 2017, in the EU countries there were 3,505 recognized POs and recognized associations of POs. Split by sectors: 1,851 are in the sector of fruit and vegetables (52.8%); 334 are in the dairy sector (9.5%), and 1,320 (37.7%) in all other sectors (except the fruit and vegetables and dairy sector).

The state of POs’ development differs significantly in the EU countries. The largest number and higher state of POs’ development are in five so-called “old” EU countries (France, Germany, Spain, Italy, and Greece), and only in one post-communist country, Poland (Figure 3.1; Amat et al. 2019).

Figure 3.1. Recognized POs by EU countries, number, 2017

Source: Authors' calculation and presentation based on *Inventory of recognized producer organizations in the EU's agricultural sector* (DG AGRI, 2019). Situation at 01 July 2017. European Union Open Data Portal. Available from: <http://doi.org/10.2906/097103114105/1>.

On the other hand, POs are still not significant in many post-communist countries, which later became EU members and Western Balkan countries. In the countries which later became members of the EU (post-communist countries), a larger number of POs were initially recognized at the national level and they have used support funds from the national budget and also from the European Agricultural Fund for Rural Development. However, today several of these POs are active. They don't meet the recognition requirements and don't provide support to farmers to strengthen their market and competitive power. Therefore, it can be concluded that most of these POs were established only to facilitate funds collection (Alboiu 2015; Kotyza, Tomsik, Elisova & Hornowski 2018; Michalek, Ciaian & Pokrivcak 2018; Privredni Vjesnik 2019; Ramanauskas, Žukovskis & Zinovchuk 2017; Van Herck 2014). Besides, farmers themselves are not interested in these forms of associations. For example, farmers in the Romanian fruits and vegetables sector estimate that the benefits of operating outside POs (selling in local markets and avoiding paying taxes while operating in grey economy) are greater than the benefits offered by POs – which include introducing producers to large retail chains and additional charges such as taxes and other costs of working within a legal framework (Alboiu 2015). Since they are not EU members, Western Balkan countries (Bosnia and Herzegovina, Serbia, Montenegro, North Macedonia, Albania, and UNMIK Kosovo) are not obliged to set up and recognize POs, and these are not legally regulated within the organization of agricultural markets. In these countries, there is only the "declared commitment to associating, while in practice, maintaining the status quo" (Živkov 2013, p. 31). Existing farmers' associations are numerous, but they are overburdened by numerous inherited and current problems, which is why these associations provide little or no benefit to farmers (Paraušić & Cvijanović 2014; Paraušić 2018; Živkov 2013).

Organic farming is suitable for small-scale production and it is a rare type of production where small-scale production is not an obstacle to competitiveness and where the

increase in assets and funds (enlargement and consolidation) is not an imperative for market success. On the other hand, organic farmers face constant challenges regarding the renewal and costs of organic farming certification, efficient access to the input and sales market, and creation of new placement and marketing channels for organic products. Therefore, POs represent an ideal form of associating and joint activities of producers in organic farming, as well as in the other types of farming directed at improving and protecting the natural environment.

These organizations are important mechanisms of strengthening the organic farmers' market position, and their economic power and negotiating position. Compared to the individual organization of production, the POs provide farmers with more efficient access to the output and input markets, better and easier cooperation with certification bodies and all downstream operators, transactional costs reduction, as well as an easier transfer of new knowledge, information, skills, and farming methods (Cherukuri & Reddy 2014; Edwardson & Santacoloma 2013; Manaswi et al. 2020; Pellegrini, Faccilongo & Camposeo 2015). Additionally, these forms of organic producers' organizations are particularly useful when it is necessary to ensure the greater influence of organic producers on the processes of creating public policies, and when it is necessary to provide larger quantities of organic goods for placement on the domestic or export markets.

The new EU development strategy (directed towards the EU's sustainable economy), the significant role that recognized POs have for their members (farmers) and other participants in the food value chain, as well as available EU financial support for the establishment and operation of POs, have motivated authors to analyze the concept of POs and the state of their development in the European organic farming sector. The main goal of this analysis is that the academic and professional public, as well as business and policymakers, acquire knowledge, so that in the coming period activities can be undertaken (political, business, academic) for further development of organic farming, while promoting the greater role of POs, and improving the market position of farmers in the organic food supply chain.

2. Methodological approach and data sources

For this research, authors used desk method of research and secondary data. The obtained data were summarized and presented in the form of graphs and tables using descriptive statistics.

The use of secondary information is often referred to as secondary analysis (or desk research). Secondary analysis is simply a collecting and further analysis of the information that has already been obtained (secondary data). This research helps define the agenda for subsequent primary research by suggesting which questions require answers that have not been obtained in previous research (Stewart & Kamins 1993). Secondary data are data which can be collected without fieldwork. They come in many forms, ranging from large statistical offices and studies published by the government to the different observations of scientists, experts, etc. (Stewart & Kamins 1993). Descriptive statistics is a field of statistics in which data are only used for descriptive purposes and include methods and procedures for presenting and summarizing data, like tables and graphs, and also the computation of measures of central tendency and variability (Stewart & Kamins 1993).

The sources of secondary data involved in the analysis were: (a) relevant literature of domestic and foreign authors in the analyzed field; (b) studies and research of international organizations and institutions (World Bank, FAO), as well as the studies realized by independent experts for the needs of Directorate-General for Agriculture and

Rural Development; (c) “Inventory of recognized producer organizations in the EU's agricultural sector”, July 2017 (DG AGRI 2019); (d) analysis of the appropriate European Commission regulations in the field of recognizing and supporting POs; (e) the Internet sources, including the official website of the European Union and websites of chosen POs.

Searching the “Inventory of recognized producer organizations in the EU's agricultural sector” (DG AGRI 2019) was done considering the POs' names and by using the keyword “organic”. Also, authors supplemented searching POs' titles by using the words “green”, “ecology” and “sustainable”, for the purpose of more comprehensive research. Also, by reviewing the websites of all selected POs authors analyzed their operations, objectives, and etc.

3. Concept of POs

In the EU countries, the concept of POs dates from the 1970s, when the European Commission realized the importance of farmers' associations in the fruit and vegetable sector for the organization of markets for these products. Initially, they represented the instrument of pillar 1 of the EU's common agricultural policy (abbr. CAP): “Common Organization of the Markets in Agricultural Products” (abbr. CMO). Following numerous reforms of the CAP and CMO, POs today represent the instrument of market measures, i.e., the organization of agricultural products markets in all agricultural sectors, as well as the instrument of improving farmers' competitiveness in the EU's rural development policy (Regulation (EU) No 1305/2013; Regulation (EU) No 1308/2013).

3.1. Definitions of POs

The following definitions of the POs are most common in the literature:

- *“POs can be defined as any type of entity that has been formed on the initiative of producers in a specific sector (horizontal cooperation) to pursue one or more of the specific aims listed in the CMO Regulation, whether or not it is formally recognized; POs are controlled by producers and can include cooperatives, different forms of associations, and private companies in which farmers are shareholders”* (DG AGRI 2018, p. 17);
- *“POs are structures for mediation between rural producers and others who act in their economic, institutional, and political environment”* (World Bank 2001, p. 2);
- Stichting Nederlandse Vrijwilligers as a non-profit international development organisation defines POs as *“formal rural organizations whose members are smallholder farmers who organize themselves with the objective of improving farm income through improved production, marketing, and local processing activities”* (Stichting Nederlandse Vrijwilligers 2016, p. 14).

For the needs of this chapter, the authors define POs as sector associations initiated and controlled by farmers, with the basic aim to advocate for the economic interests of their members and define contractual relationships between farmers and buyers of their products in the agricultural products market. Recognized POs are defined as the POs fulfilling the requirements for recognition defined by the national legislation of the country in which they are based.

3.2. Characteristics of the POs

The following list represents the basic characteristics of all POs, both formally recognized and non-recognized at the national level, regardless of the production sector in which they are formed (Amat et al. 2019; Bijman 2007; DG AGRI 2018; La Sala & Perri 2015; Penrose-Buckley 2007; Regulation (EU) No 1308/2013; Regulation (EU) No 1305/2013):

- They are established on the initiative of farmers (“bottom-up approach”) in rural areas, owned by farmers and controlled by farmers who democratically manage them;
- They are created per product sector and are related to specialized production;
- They are economic or commercial organizations (businesses) oriented towards their members, realizing the following joint activities: transport, packaging, product marking, market placement, joint use of facilities and equipment etc.;
- The basic objectives of POs are strengthening farmers’ income growth and reinforcing their market and competitive position in the food supply chain; production planning and adjustment supply to the market requirements; concentration of supply; placing of products on the market; optimization of production costs and improvement of product quality.
- The most significant activities of POs are: planning the market surplus (the amount of goods for placement); planning of products quality; contractual negotiations (defining the elements and contents of sales contracts between farmers and buyers); organization of quality control and commercialization strategies.
- They must have the status of a legal entity but can take various legal forms, including cooperatives, associations, or private companies in which agricultural producers are shareholders. Depending on the country, they can be cooperatives (the most frequent type of POs in the EU countries), association or private companies in which agricultural producers are shareholders. Generally speaking, cooperatives and associations are the most efficient methods of organizing farmers and their collaboration regarding input procurement, selling final products, investment, market orientation, marketing etc.;
- They are not companies oriented towards investment and profit, nor small family companies;
- To be recognized at national level by the relevant ministry, they have to fulfil the requirements and criteria for recognition defined by the country they operate in, such as the minimum number of members and/or minimum value or quantity of the products placed on the market by the PO’s members, and other conditions set by law.

3.3 Role of POs in the agricultural and rural sector

According to CMO regulation, *“producer organizations and their associations can play useful roles in concentrating supply, in improving the marketing, planning and adjusting of production to demand, optimizing production costs and stabilizing producer prices, carrying out research, promoting best practices and providing technical assistance, managing by-products and risk management tools available to their members, thereby contributing to strengthening the position of producers in the food chain”*(Regulation (EU) No 1308/2013, p. 682).

The EU Regulation on the support of rural development underlines that POs should be supported primarily because they *“help farmers to face together the challenges posed by increased competition and consolidation of downstream markets in relation to the marketing of their products including in local markets”* (Regulation (EU) No 1305/2013, p. 491). The Regulation also underlines the role of POs in the realization of the third EU priority in the field of rural development which states: *“the improving competitiveness of primary producers by better integrating them into the agri-food chain through quality schemes, adding value to agricultural products, promotion in local markets and short supply circuits, producer groups and organizations and inter-branch organizations”* (Regulation (EU) No 1305/2013, p. 500).

The following is an overview of the roles of POs as seen by different institutions or by independent experts:

- According to the research conducted by independent experts for the needs of the Directorate-General for Agriculture and Rural Development, the greater bargaining power of farmers who act through POs is often seen in more favorable conditions and provisions of sales contracts (higher selling price, long-term contracts, regular orders, etc.) in comparison to the contracts made by individual farmers, i.e., farmers operating outside POs (Amat et al. 2019);

- FAO defines the role of POs as a struggle of small-scale and marginalized farmers for fairer market conditions (easier market access, a greater role in defining conditions of sales contracts, payment conditions and prices), but also for greater participation of farmers in defining the measures of agricultural and rural policies, and building working partnerships between the governments (national, regional) and POs (FAO 2010);

- POs can assume the function of representing farmers' interests in negotiating process with the private sector and governments, and function of economic and technical support (supporting producers in production, financing, accessing credits, placement, marketing, providing the information), and they can also enhance local development and village life (World Bank 2001).

On the other hand, some authors critically analyze the roles of POs and point out the problems that POs face in practice. For example, La Sala & Perri (2015) and Lamonaca, Scarinci & Silvestri (2015) state that the rate of farmers belonging to some of the recognized POs in the EU countries is low in comparison to the total number of farmers, they often exist only formally (just in an administrative way), and joint activities and cooperation are minimal (commercial activities are undertaken only by a few producers based on individual initiatives).

Retailers and processors (manufacturers) have numerous benefits from cooperating with POs (reduction of transactional costs, price stability, easier planning of production and stock, raw products quality, etc.), but they sometimes perceive POs as a threat to their bargaining power and prefer making contracts with individual farmers (Amat et al. 2019).

Also, Eastham (2014, p. 50) states that due to frequently antagonistic market conditions and “highly concentrated and consolidated downstream buyers”, POs do not always ensure positive effects for farmers and the measures for preventing “side-selling in POs can deflate farm incomes and result in negative yardstick effects”.

4. European legal and regulatory framework of the POs

POs are regulated by the EU legislation and national legislation of each member state. The EU legislation in the field of POs recognition and operation includes:

- General exemptions from the EU competition rules for the agricultural sector by the “Treaty on the functioning of the European Union” (Official Journal of the European Union 2012). Although competition rules prohibit cooperation, the Article 42 of the “Treaty on the Functioning of the European Union” allows legislators to limit the application of competition rules in the agricultural sector and the field of farmers' cooperation;

- The current CMO Regulation (Regulation (EU) 1308/2013; Regulation (EU) 2017/2393) details the derogations from competition rules in the agricultural sector. The certain EU competition rules do not apply to some activities of farmers and their recognized POs, such as planning production; offer concentration; cooperation of farmers in the processes of input procurement, processing, selling, marketing; negotiating supply contracts; conclusion of the certain agreements on production or sale of agricultural products (Articles 152 and 209). CMO regulation defines the recognition criteria, goals of

the POs, mandatory elements of the statute, and additional rules for specific product sectors;

- Additional EC regulations for POs in several agricultural products sectors, like fruit and vegetables, milk and dairy products, etc.

According to the CMO regulation, the EU countries may recognize POs at their request, and in the several sectors recognition of POs by the Member States is mandatory (Regulation (EU) No 1308/2013, Articles 161 (1) & 159 (a)):

1. milk and dairy products,
2. fruit and vegetables,
3. olive oil and table olives,
4. silkworm and
5. hops sector.

The mentioned regulation states the following requirements for the recognition of POs (Regulation (EU) No 1308/2013, Articles 152 & 154): *„The Member States may, on request, recognize producer organizations, which are constituted, and controlled by producers in a specific sector; are formed on the initiative of the producers; has a minimum number of members and/or covers a minimum volume or value of marketable production, to be laid down by the Member State concerned, in the area where it operates; and pursue a specific aim which may include at least one of the following objectives...”*.

CMO Regulation specifies a total of 11 POs' objectives, like (Regulation (EU) No 1308/2013, Article 152):

- *„ensuring that production is planned and adjusted to demand, particularly in terms of quality and quantity;*
- *the concentration of supply and the placing on the market of the products produced by its members, including through direct marketing;*
- *optimizing production costs and returns on investments in response to environmental and animal welfare standards, and stabilizing producer prices;*
- *carrying out research and developing initiatives on sustainable production methods, innovative practices, economic competitiveness and market developments;*
- *promoting, and providing technical assistance for the use of environmentally sound cultivation practices and production techniques, and sound animal welfare practices and techniques;*
- *contributing to the sustainable use of natural resources and climate change mitigation and*
- *developing initiatives in the area of promotion and marketing”*.

The CMO Regulation also defines (Regulation (EU) No 1308/2013):

- What the PO's Statute requires from its members (Article 153). The members shall: apply all the rules adopted by the PO regarding production, placement, and environmental protection; be members of only one organization for one individual product; contribute financially to the operation of the organization, make decisions and monitor the PO operation democratically;

- In the part of the "Extension of rules", Article 164 envisages that in the cases when a recognized PO is considered to be a representative of the product sector within which it is registered, the EU Member State concerned may, at the request of that PO, make some of the agreements, decisions or practices agreed within that PO binding on other participants, whether they belong to the PO or not, for a limited period.

In general, recognized POs differ from agricultural cooperatives and other forms of farmers' associations and organizations regarding the business criteria (imposed on them by the EU and the national legislation), which POs must meet to be nationally recognized as partners of the relevant ministry and downstream actors (wholesalers and

processors). By fulfilling the legally defined criteria (in terms of goals and manner of work, statute, business plan, number of members, size of turnover that members achieve together, etc.), they gain legitimate roles in regulating the market of agricultural products in those product sectors in which they are formed.

Reasons for seeking recognition as POs are mostly: access to EU funding (rural development, operational programmes); visibility and reputation vis-à-vis other market operators and legal certainty and exemption from certain EU competition rules (Amat et al 2019).

5. European organic farming sector and state of POs' development in the organic sector

5.1. European organic farming: general overview

Agriculture, as a dominant activity in rural areas, strongly influences the management of natural resources and the creation of a basis for economic diversification and social development of rural areas. The development of organic agriculture in the EU countries, as a system that is sustainable in environmental, economic and social terms, is a consequence of the transformation of economic and social policy, and above all agricultural policy in the direction of sustainability and higher protection of natural resources.

The number of agricultural producers in organic farming in the EU-28 in 2016 was 295,577, which is 15% more than in 2013 (Eurostat, 2020), and research shows that it is one of the fastest-growing agricultural sectors in the world, especially in the European Union (Jeziarska-Thöle et al. 2017).

As a key component of the „Farm to Fork Strategy” 2020, this type of farming contributes to designing a “fair, healthy and environmentally-friendly food system” (European Commission 2020). The transition to sustainable food production has begun, but much remains to be done in this segment, bearing in mind that food production consumes significant natural resources, causing great pollution of land, water and air, thus contributing to the loss of diversity and climate change. To protect the environment and preserve biodiversity, the Commission will assess and support strategic plans precisely in relation to climate and environmental criteria. These plans should lead to the use of sustainable practices, such as „precision agriculture, organic farming, agroecology, agro-forestry and stricter animal welfare standards” (European Commission 2019, p.12).

Organic farming is an integrated, environmentally sound, safe and economically sustainable agricultural production system, with a high contribution to the overall sustainable rural development (Roljević Nikolić & Paraušić 2020). This is a system that uses environmentally friendly production methods, and shall be based on the following principles, inter alia: *“the appropriate design and management of biological processes based on ecological systems using natural resources; the restriction of the use of external inputs; or limitation of the use of chemically synthesized inputs”* (Council Regulation (EC) No 834/2007). Such method of farming plays a dual societal role – *“on the one hand it provides for a specific market responding to consumer demand for organic products, while on the other hand, it delivers public goods contributing to the environmental protection and animal welfare, as well as to the rural development”* (Council Regulation (EC) No 834/2007).

The development of the organic products market is part of a complex phenomenon of ecological consumption and strengthens the development of a new paradigm called “green marketing” (Bryla 2016), and the study of causes and motives for using organic products has become an important field of marketing research. In this context, consumer

personal values and health reasons are recognized as important factors influencing the choice of food of organic origin (Honkanen et al. 2006). However, financial performance has also been seen as an important factor in the growth of the organic sector in recent years. Namely, in addition to the fact that organic products achieve higher prices on the market, the strong growth of the sector is also encouraged by the financial support that a large number of countries provide to organic producers (Roljević Nikolić et al. 2017).

5.2. Role and state of the PO's development in the organic farming sector

There are numerous studies in the literature that prove the positive role of POs in the sector of organic production and the so-called "green" agriculture, which also contributes to the improvement and quality of the environment and below are some of them:

- POs provide numerous benefits for organic producers regarding better commercialization of products; technical, counselling and logistical assistance, and improvement of the supply chain of organic products (Edwardson & Santacoloma 2013);
- The case study of Aproli, an organization of olive oil producers (Italy), points to the importance of POs in achieving goals that contribute to environmental sustainability, but also goals related to economic sustainability, through optimizing production costs, improving the product and process quality and similar (Pellegrini, Faccilongo & Camposeo 2015);
- A study on the operation of the three largest POs in the milk sector in the Czech Republic (Bošková, Ahado & Ratinger 2020) indicates that farmers have economic benefits from their membership in POs and that they are satisfied with POs' operation. While the greater negotiating power in determining the milk price and safe sales market is what farmers mainly demand from analyzed POs, PO managers have a more long-term perspective and focus on the activities related to consumer health and environmental protection, or vertical collaboration of members in the product value chain.
- The research on the role of POs in organic farming in India shows that producers involved in the production through POs realize a higher gross rate of return and higher incomes than those who are not members of POs. The key roles of POs for members are decreasing transactional costs due to the lowered number of intermediaries in trade, better market access, better structure of the final price of the agricultural product for farmers, offering technical and counselling assistance to members, etc. (Cherukuri & Reddy 2014; Manaswi et al. 2020).

On the other hand, the contribution of POs in the segment of organic certification (renewal of certificates or reduction of certification costs), although important, has remained unclear and insufficiently explored. This is because in practice the organic certification costs are often insufficiently transparent. The research conducted by Kuit & Waarts (2014) in the field of costs and benefits of various certification schemes (including organic certification) shows that data on certification costs for small-scale farmers and certificate-holders are mainly unavailable, unreliable and incomplete for various reasons: (a) these are donor-funded projects, which makes data insufficiently transparent; (b) companies which are certificate-holders are unwilling to share these data and keep them as a business secret; (c) calculations are often based on numerous hypotheses, etc.

The following is an overview of the development of POs in the sector of organic farming in European countries. Before that, it is important to point out that the development of these organizations in the organic sector differs by country, primarily given the different economic, production, social, historical, nature and other conditions for the development of organic production, as well as differences in the degree of social capital development. The research on organic farming that was conducted by the group of authors (Michelsen et al. 2001) in 6 European countries (Austria, Belgium, Denmark, United Kingdom, Greece

and Italy), which differ significantly regarding business and institutional elements of organic production development, showed basic differences in terms of the development of farmers' associations in this farming method (Table 3.1).

Table 3.1. Features of organic farming associations in the selected countries

Countries	Features of organic farming organisations
Austria	The largest and one of the oldest organic farming sectors. Due to the division of umbrella organizations, lack of good collaboration and lack of clearly defined competencies, the organic farming sector is characterized by inner disagreements and lack of joint initiatives, which is reflected in the development policy of this sector at the national level.
Belgium	Two organic POs operate in two different regions. They cooperate and provide counselling services to farmers, monitor and control their production, promote the change to organic farming and offer all required information to farmers.
Denmark	Two main umbrella associations are "Organic Service Centre" and "The Danish Association for Organic Farming". They encompass numerous organizations of organic producers of milk, meat, egg and poultry, fruit and vegetables, plant products. They have a good collaboration and provide farmers with technical support, information, assistance in marketing and placement and generally advocate for the interests of organic farmers.
Greece	The smallest and youngest sector of organic farming. The sector is characterized by a weak association and organization of farmers. There are dozens of local organizations of organic farmers which account for about 10-15% of the total number of organic farmers. However, these associations are not regarded as professional ones.
Italy	The field of POs in organic farming is undeveloped, which is unfavorable for farmers dealing with organic production. A large number of organic farmers' associations are transformed into certification bodies, while the interests of these associations differ significantly. The certification bodies are more interested in the growth of the areas under the certified organic farming, while organic farmers are more interested in the support in placing and marketing of their products, lobbying with regional and national authorities, etc.
United Kingdom	"The Soil Association" represents a significant association in the organic farming sector, which is widely represented in all phases of organic production and consumption. It is led by the certification department "SACert". Simultaneously, another 5 associations operate in this sector, all of them being active in certification and much less in the process of lobbying and advocating for farmers' interests.

Source: Authors based on Michelsen et al. 2001.

To analyze the number of POs in the sector of organic farming the authors used "Inventory of recognized producer organizations in the EU's agricultural sector" (situation as of 01 July 2017), as a database of the number and name of recognized producer organizations (POs) and recognized associations of producer organizations in the agricultural sector in the EU (DG AGRI 2019).

Searching the database by using the keyword "organic", authors have found only three POs with the word "organic" in their titles, and the basic information about these organizations is available to the public through their websites:

- "South Devon Organic"; the United Kingdom, sector of vegetables. It's a recognized producer organization with the Rural Payments Agency on the Fruit and Vegetable Scheme which provides different services for its 13 growing farmer members, such as "marketing of organic vegetables; specialist machinery and specialist operators; a pool of experienced field staff; administration center; access to grants through working together; technical support for growers; crop walking";

- “Italian organic vegetables” (Italy), sector of vegetables. Storage, handling and preserving of raw materials are within the members' competence, and packaging and delivering of organic vegetables are labelled according to EU normative;
- Bulgarian Organic Foods Ltd”, Bulgaria, is the largest organization of producers of organic honey and bee products in Bulgaria, recognized by the Ministry of Agriculture. The organization covers 27 bee farms, with more than 5,000 organically certified hives, with the main purpose of promoting and marketing of organic honey and development of organic beekeeping, as well as supporting members at all stages of the production and sale of final products.

Given the existence of only three POs in organic sector, research are expanded and supplemented searching the database by using the keywords “green”, “ecology” and “sustainable”, in order to investigate existence of POs in the agricultural sectors, which as well as organic are close to the principles of environmental protection and production of quality and safe food. Authors have found 17 POs with the word “green” in their titles. All of them are in the sector of fruit and vegetables, except two, which are in the sector of olive oil and table olives and sector of cereals. The following is an overview of these POs:

- Green Diamond (Belgium);
- Green farm (Belgium);
- New Green (Belgium),
- Gaza Nord Green (Denmark);
- Green Correspondence Farm and Fruit Producer co-operation (Hungary);
- Quality Green Producer Organisation Ltd (Ireland);
- South Green Economic Society (Sweden);
- Grupa Producentów Green Sad (Poland);
- Green Union (Poland);
- Green grow (Poland);
- Greenshoots Ltd (United Kingdom);
- GreenCoop družstvo (Slovakia);
- GREENMED (Spain);
- The Green Pea Company Ltd (United Kingdom);
- KIWI GREEN SUN (Portugal);
- Creta Green Agrofarm Ike (Greece), sector of olive oil and table olives;
- Alia Greene Group Ltd. (Bulgaria), sector of cereals.

All shown POs grow crops strictly taking into account high quality and food safety standards, using the organic farming method (for 3 POs in the organic sector) or applying the principle of integrated production or production certified according to GlobalGap standard (for those POs that contain the word “green” in their titles). Producers, i.e., their POs, take into account the use of resources in agricultural production, in a way that chemical means of protection are increasingly replaced by biological protection, and often with the use of renewable energy sources and innovations. This ensures the protection and improvement of the quality of land, water and biodiversity on member farms, and food is produced in compliance with high standards of quality and safety.

By analyzing the websites of POs, the authors note that almost all POs have the same objectives: protection of farmers' interests in the market and their empowerment, primarily in the segment of sales of final products. By concentrating the supply of member products, pooling the strengths and resources of individual producers, these organizations succeed in providing members with the security of placement, optimal farm gate prices, adding value through joint processing or packaging of products.

It can be concluded that in the EU's organic farming sector there are only three recognized POs (two in the fruit and vegetable sector, and one in the honey and bee products sector). In the sector of "green" agriculture (Integrated Farming or GlobalGap certified farming), which also aims at greater sustainability of agriculture, there are 17 POs (15 of them are in the fruit and vegetable sector), and this number is certainly higher, bearing in mind that this sector probably also includes organizations that do not contain the word "green" in their name. Such a few recognized POs means that farmers do not take full advantage of these type of organizations either the national nor EU funds available for financing the setting-up of POs and their operation.

5.3. Support for setting-up and operation of POs in organic farming from the EU funds

The EU fruit and vegetable regime support POs with funding contributions for the implementation of operational programmes. Within the CMO Regulation (Regulation (EU) No 1308/2013, Articles 32-35), POs in the organic fruit and vegetable sector can benefit from the EU funding for "operational programmes" by, for example, securing support for collective financing of logistics. According to the Article 34, the EU's financial assistance for operational programmes is limited to "50% of the actual expenditure incurred or 4.1% of the value of the marketed production of each PO or their association". At the request of the PO, this amount can be increased to 60% for the operational programme or part of the operational programme if it includes "solely specific support for the production of organic products". If a PO wants to include organic farming in its operational programme it is required to provide a detailed production description and cost estimation, and the EU support will cover the difference between the costs incurred in organic and conventional production.

Also, POs in organic farming or those POs that operate on the principles of integrated production or GlobalGap certified farming, may use the EU support funds from the European agricultural fund for rural development, for the setting-up POs, as well as all other POs (regardless of the sectors in which they operate). Within the rural development policy of the EU (Regulation (EU) No 1305/2013, Article 27, p. 511), measure "Setting-up producer groups and organizations" is available for facilitating the foundation of recognized POs for the needs of:

- *"Adapting the production and output of producers who are members of such groups or organizations to market requirements;*
- *Jointly placing goods on the market, including preparation for sale, centralization of sales and supply to bulk buyers;*
- *Establishing common rules on production information, with particular regard to harvesting and availability; and*
- *Other activities that may be carried out by producer groups and organizations, such as the development of business and marketing skills and the organization and facilitation of the innovation processes".*

The Regulation highlights the following (Regulation (EU) No 1305/2013, p. 511): "Support shall be granted to producer groups and organizations which are officially recognized by a Member State's competent authority based on a business plan. It shall be limited to producer groups and organizations that are SMEs". The maximum annual amount of support per producer group or PO is defined based on the business plan and can amount to "the maximum of 100,000 EUR or max 10% of the annual marketed production of the group or organization during the first five years following recognition" (Regulation (EU) No 1305/2013, Annex II). The support is digressive and can last up to five years following the PO's recognition.

Additionally, support for agri-business operations of POs, within the EU rural development policy, is available by following measures (Regulation (EU) No 1305/2013):

- Article 16 “Quality schemes for agricultural products, and foodstuffs”. The Member States can give preference to recognizing POs whose members participate in some of the quality schemes for agricultural products which include farm certification schemes, i.e., organic farming, as a specific farming method. Through this support measure, CAP contributes to value-added agriculture in EU countries.

- Article 17 “Investments in physical assets” (“collective investments, including those linked to a merger of Producer Organisations”). For instance, POs in the milk sector can use the EAFRD funds for constructing dairy and starting milk processing, or in the fruit and vegetable sector for joint investment in logistics from which all members will benefit.

- Article 35 “Co-operation” (between various actors in the agricultural and foodstuffs sectors).

Although recognized POs can be financially supported by the EU funds and the national budgets of EU member states, they should tend to be economically and financially sustainable, without constant reliance on external financial support.

6. Conclusion

Producer organizations represent an ideal form of associating and joint activities of producers in organic farming, as well as in the other type of farming directed at improving and protecting of the natural environment. Although their role for farmers (members), as well as other participants in the food supply chain, is very useful, number of the recognized POs in this sector cannot be characterized as favorable.

To analyze the number of POs in the sector of organic farming in EU countries the authors used “Inventory of recognized producer organizations in the EU's agricultural sector”, situation as of 01 July 2017 (DG AGRI 2019). This database was searched by using keywords “organic”, “green”, “ecology” and “sustainable” in the POs' titles.

Authors have found only three recognized POs with the word “organic” in their titles, and they operate in the fruit and vegetables sector (two), and one in the honey and bee products sector. In the sector of “green” agriculture (those POs which contain word “green” in the title) there are 17 POs (15 of them are in the fruit and vegetables sector), and this number is certainly higher, bearing in mind that this sector probably includes organizations that do not contain the word “green” in their title. POs in “green” agriculture are mostly organization of farmers operate on principles of Integrated farming or in the system of GlobalGap certified farming.

POs in analyzed sectors are mostly located in the following countries: Italy, United Kingdom, Bulgaria, Belgium, Hungary, Ireland, Poland, Slovakia, Spain, Denmark, and Sweden.

Almost all of recognized POs presented in the paper have the same goals: protection of farmers' interests in the market and their empowerment, primarily in the segment of sales of final products (providing safe placement, optimal farm gate prices, adding value through joint processing or packaging products and the like). Compared to the individual organization of production, they provide farmers with more efficient access to the output and input markets, better and easier cooperation with certification bodies, as well as easier transfer of new knowledge, information, skills, and farming methods. Besides, these forms of organization are especially useful when it is necessary to ensure the greater influence of organic producers on public policymaking processes in organic farming, as well as when it is especially necessary to provide larger quantities of organic products for

placement on domestic or export markets. All analyzed POs take strict account of the use of resources in agricultural production, so that chemical means of protection are replaced by biological protection, and often with the use of renewable energy sources and innovations to make production sustainable. In this way, protection and improvement of the quality of land, water and biodiversity on member farms are provided, and food is produced in compliance with high standards of quality and safety.

Although POs contribute with many benefits to farmers, it can be concluded that small number of recognized POs in analyzed sector means that members of organizations (producers) do not use the benefit of this type of organization to a sufficient degree, nor do they use the national or EU funds available for financing their setting-up and operation.

Having in mind all above-mentioned, future activities of organic producers, professional community and representatives of local and regional authorities should aim at developing organic farming, while promoting and popularizing a more active role of POs, to improve the market position of farmers in the organic food supply chain.

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Appendix A3. Definitions of key terms

Producer organizations (POs) and recognized POs in the agricultural sector – POs are sector associations initiated and controlled by farmers with the basic aim to advocate for the economic interests of their members and define contractual relationships between farmers and buyers of their products in the agricultural products market. Recognized POs are those POs that meet the requirements for recognition defined by the national legislation of the country in which they are based.

EU's policy on the POs – EC sees POs as significant instrument of improving the market position of farmers in the agricultural and food supply chain, which “help farmers to face together the challenges posed by increased competition and consolidation of downstream markets concerning the marketing of their products including in local markets” (Regulation (EU) No 1305/2013).

Conditions for POs' recognition – Member States may or shall (in several sectors) recognize the POs at their request “which are constituted, and controlled by producers in a specific sector; are formed on the initiative of the producers; has a minimum number of members and/or covers a minimum volume or value of marketable production, to be laid down by the Member State concerned, in the area where it operates; and pursue a specific aim which may include at least one of the following objective...” (Regulation (EU) No 1308/2013, Articles 152 & 154).

Objectives of the recognized POs – According to EU regulation No 1308/2013 (Article 152), POs for recognition have to realize some of the following objectives: „ensuring that production is planned and adjusted to demand, particularly in terms of quality and quantity; concentration of supply and the placing on the market of the products produced by its members, including through direct marketing; optimizing production costs and returns on investments in response to environmental and animal welfare standards, and stabilizing producer prices; carrying out research and developing initiatives on sustainable production methods, innovative practices, economic competitiveness and market developments; promoting, and providing technical assistance for, the use of environmentally sound cultivation practices and production techniques, and sound animal welfare practices and techniques; developing initiatives in the area of promotion and marketing“.

The legal form of recognized POs – Legally, POs must have the status of a legal entity, but they may have different types of SMEs. Depending on the country, they can be cooperatives (the most frequent type of POs in the EU countries), or entities, like association, private companies, such as Ltd. in which farmers are shareholders. Cooperatives and different forms of associations are the most efficient methods of organizing farmers and their collaboration regarding input procurement, selling final products, investment, market orientation, marketing, etc.

Ch.3

CONCEPT AND STATE OF PRODUCER ORGANIZATIONS DEVELOPMENT IN EUROPEAN ORGANIC FARMING

State of the art on producer organizations

OBJECTIVES: The purpose of this chapter is to introduce students to the concept and different aspects of producer organizations (abbr. POs) in EU countries: definition of POs; their role and characteristics, objectives of their activities, conditions for recognition, as well as with available sources of funding their establishment and activities, with emphasis on the organic farming sector.

SKILLS: Students should acquire knowledge in the area of producer organizations and find out about the number, degree of development and representation of these farmers' associations in the European organic sector.

QUESTION 1 (PLEASE CHECK THE CORRECT ANSWER)

How are producer organizations in the agricultural sector defined?

- Producer organisations are farmers' associations that contribute to the quality and better living conditions in rural communities.
- Producer organisations are associations of farmers and processors of agricultural products.
- Producer organisations are sectorial associations formed at the initiative of farmers and controlled by farmers with the primary objective to advocate for the economic interests of their members and regulating contractual relations between farmers and purchasers of their products on the agricultural market.
- Producer organisations are farmers' organizations created with the aim of more efficient access farmers to the market of agricultural input.

QUESTION 2 (PLEASE CHECK THE CORRECT ANSWER)

According to the European Commission, what are the most important roles of producer organizations for farmers?

- Strengthening bargaining power, better integration of farmers into agri-food chain, and improving farmers' competitiveness.
- More efficient farmers' access to the market of agricultural input.
- Providing advisory and technical support to farmers.
- Yield growth and quantity of produced agricultural products.

QUESTION 3 (PLEASE CHECK THE CORRECT ANSWER)

In which agricultural sectors producer organizations are the most developed in EU countries?

- Fruit and vegetable sector.
- The sector of milk and dairy products.
- Cereals sector.
- Organic sector.

QUESTION 4 (PLEASE CHECK THE CORRECT ANSWER)

Is a producer organization a favourable form of association for farmers engaged in organic production?

- Yes, it is.
- No, it is not.

QUESTION 5 (PLEASE CHECK THE CORRECT ANSWER)

Why producer organization is a favourable form for organic producers' association?

- Organic farming is a production where small-scale farmers and small plots aren't an obstacle for farm development, and consolidation isn't necessary for competitiveness.
- Organic producers can certify organic production only through group certification and by producer organisation.
- Organic producers can have market access only if they are a member of producer organisations.
- Holders of certificates in organic production can cooperate with their subcontractors only if they are a member of producer organizations.

PRACTICAL APPLICATION OF THE PREVIOUSLY ACQUIRED KNOWLEDGE: RELATED TO THE EXAMPLE EXPLAINED IN THE CHAPTER, TRY TO INVESTIGATE NEXT ISSUES: ARE THERE ANY PRODUCER ORGANIZATIONS IN THE ORGANIC FARMING SECTOR IN YOUR COUNTRY AND HOW DEVELOPED ARE THEY IF THEY EXIST? IF PRODUCER ORGANISATIONS ARE NOT SUFFICIENTLY DEVELOPED, WHAT DO YOU THINK ABOUT THE BENEFITS THAT ORGANIC PRODUCERS COULD HAVE FROM ESTABLISHING RECOGNIZED PRODUCER ORGANISATION IN THE ORGANIC FARMING SECTOR IN YOUR COUNTRY?
