



Establishing an operational programme: supporting the producer organisations to contribute to strengthening farmer's position in the agri-food supply chain and improving the economic, social and environmental sustainability of farm.

Executive summary



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INTRODUCTION

Within the European Union (EU), there are approximately 9.1 million farmers, many of whom operate relatively small to medium-sized family farms independently. A significant proportion, around 72%, manage less than 10 hectares of land. This often poses challenges for farmers in terms of efficiency, individual resilience against adversities, investment opportunities, access to credit and asserting their interests when negotiating with other actors in the supply chain.

To bolster the position of farmers and enhance their resilience and competitiveness, the EU provides support to those who wish to collaborate within Producer Organisations (POs). Beyond resilience and competitiveness, these organisations offer numerous benefits. For instance, they enable farmers to collectively invest in technologies that might otherwise be financially unfeasible for them individually, thereby fostering economically, socially and environmentally sustainable production practices.

Moreover, EU legislation contributes to strengthening farmers' positions in the value chain by granting POs exemptions from certain competition rules. This essentially empowers farmers to leverage their collective bargaining power. Recognising the multifaceted advantages of POs, the EU funds the establishment of such organisations, as well as Operational Programmes (OPs) encompassing various objectives. These programmes encompass activities such as production planning and organisation, supply concentration, product placement in the market, modernisation, research and development of sustainable production methods, including climate change mitigation and adaptation, and innovative practices and techniques.

OPs have been available for many years in sectors such as fruit and vegetables (F&V), wine, hops, apiculture and olive oil. The recent reform of the Common Agricultural Policy (CAP) introduced the possibility of establishing sectoral interventions for most agricultural productions.

The 'Pilot Project - Establishing an operational programme: supporting producer organisations to contribute to strengthening farmers' position in the agri-food supply chain and improving the economic, social and environmental sustainability of farms' provides an analysis of the advantages that POs offer farmers. Through a quantitative assessment, this project evaluates the extent to which POs contribute to: (i) strengthening farmers' position in the agri-food supply; and (ii) improving the economic, social and environmental sustainability of farms.

Additionally, a Handbook on OPs has been developed for agricultural economic actors. This Handbook examines how POs can effectively enhance the overall socio-economic and environmental sustainability of their members. It explores the establishment of sectoral interventions through OPs, following the successful model implemented in the F&V sector. This development occurs at a crucial juncture, where changes in CAP allow Member States to expand the funding mechanism of OPs to other sectors beyond those supported in the past, principally the F&V sector.

METHODOLOGY

The first objective of the project is to deliver a quantitative analysis of the advantages that POs offer to farmers. The main output of the quantitative assessment is a **Technical Paper**. This is based on a survey of a sample of 1 189 farms in five Member States. The analysis has been performed using descriptive statistics and econometric techniques.

The second objective of the project is to investigate how POs from the 'other sectors' (pig meat, beef meat, dairy, and plant protein) could establish OPs under the 2023–2027 CAP, with the view to reinforcing the overall sustainability of their members. The analysis for reaching the second objective was achieved through seven complementary activities:

- country review to provide a picture of the context in which POs operate at national level;
- inventory of recognised POs or associations of POs (APOs) in the four sectors under examination;
- benchmarking for OPs in the F&V sector to identify examples of good practices from the implementation of OPs in the F&V sector that could be relevant for other sectors;
- survey of POs to understand PO views on intervention options and select suitable POs for further case study analysis;
- analysis of RDPs for the 2014–2020 programming period to investigate the extent to which measures implemented under the RDPs could provide inspiration and good practice examples for adoption as interventions for OPs;
- 16 case studies in 10 Member States to investigate in detail the interventions with the highest potential to improve the market management and sustainability of PO members;
- four national workshops in France, Italy, Portugal and Poland to discuss the content of the Handbook and the findings from the study.

The main output of the investigation is the creation of a **Handbook**, containing a catalogue of possibilities and examples of interventions to design and implement as part of an OP. Good practices and potential interventions are identified and described.

A final conference, held using a hybrid format,¹ presented and disseminated the project's validated results, with a focus on the technical paper and the Handbook and its dissemination strategy. This provided an opportunity to review the implementation of OPs in 'other sectors' and the perspectives of POs with presentations from three National Authorities (Ministry of Agriculture of Bulgaria, France and Latvia) and four POs (from Portugal, France, Latvia and Ireland).

¹ The Conference was held on the 26 May in one of the EU Commission premises in Brussels. Recording is available at this address: <https://webcast.ec.europa.eu/supporting-producer-organisations-to-strengthen-farmers-position-in-the-agri-food-supply-chain-2023-05-26>.

STUDY FINDINGS ON HOW POs STRENGTHEN MEMBERS' POSITION IN THE AGRI-FOOD VALUE CHAIN AND ENHANCE FARM SUSTAINABILITY

The analysis highlights the importance of a number of exogenous determinants of farm performance, linked either to the country/geo-climatic region, the sector, the farm (e.g. size), the farmer (e.g. age, education), the use of services (e.g. extension) or the agriculture production methods (e.g. integrated or organic production) and/or farming environmental policy.

Results of the analysis show that membership of a PO has a mixed effect on product prices, largely connected to specific PO activities, such as planning of quantity, commercialisation strategies or packaging. These effects differ depending on the value chain considered. The impact of PO membership on yield tends to be low, with some important exceptions such as dairy and pig meat in Poland. Indeed, in Poland there is a positive impact of PO membership on yields. The impact of PO membership on turnover is overall positive, with membership contributing to farm growth and, to a greater extent, to unit value of production (hectare/animal head).

The more straightforward impact of PO membership, however, is not on prices and yields, but rather in soft factors, such as the improvement of marketing procedures, access to market, stability and security, as highlighted by qualitative answers by the surveyed farmers.

The impact of PO membership on environmental sustainability is narrower and most likely connected to some focused actions by PO, e.g. explicit actions for promoting water saving or pesticide use reduction, or environmentally friendly approaches such as integrated production or organic farming.

Results differ by country and sector, likely due to different structural features, type of product and general economic context. Another explanation for mixed effects is that vertically integrated farms can perform rather well.

The main policy implication arising from the analysis is that simply providing support to POs is not sufficient to increase the sustainability of its members. Instead, it is important to focus on the quality and strategic direction of POs to effectively meet the needs of different sectors and regions. Additionally, POs should be viewed as complementary to other factors that affect the economic efficiency of an holding, such as farm size and farmers' education, rather than being treated as a substitute for these key determinants.

STUDY FINDINGS ON THE ROLE OF OPs IN REINFORCING THE SUSTAINABILITY OF AGRICULTURAL ECONOMIC ORGANISATIONS

Similarity between Rural Development Programme measures and OP interventions

POs operating in the pig meat, beef and veal, dairy, and protein sectors have not previously experienced the design and implementation of an OP within the framework of CAP. The similarity between Rural Development Programmes (RDPs)² and OP interventions means that RDP measures can inspire the drafting of OP interventions. The main difference is the source co-financing, which is 50 % from the national level for the RDP, and 50-60 % from POs themselves in the case of OPs. Certain RDP measures are particularly suitable for collective action due to their design (e.g. sub measures of M16 - Collaboration), or due to

² RDPs form CAP's Pillar II and provide support to rural areas of the EU in meeting economic, environmental and social challenges.

their effectiveness when implemented in collective form, e.g. environmental measures that exploit their full potential when implemented at the territorial/collective level (actions under M10 - Agri-environment - climate). The sectors under investigation for this project show different degrees of use of RDP measures as well as aggregation and cooperation (i.e. presence of POs).

The features and structure of the plant protein sector needs careful evaluation to design suitable OPs. Indeed, the difficulty of isolating the protein crops from the general arable sector, the general tendency to rely on Pillar I rather than Pillar II instruments, and the low rate of cooperation appear as limiting factors in the selection of suitable RDP measures to draw sectoral interventions. In this light, stakeholders suggested that this sector would benefit from policy support to incentivise cooperation.

Stakeholders interest in OP interventions

POs across sectors expressed particular interest in interventions that enhance economic viability, improve environmental sustainability and provide advisory services and technical assistance. The specific priorities for interventions vary by sector, as seen below.

- In the beef and veal sector, stakeholders prioritise interventions related to collective product storage, climate change mitigation and adaptation, biosecurity, animal health, and animal welfare;
- In the dairy sector, stakeholders emphasise interventions related to promotion, communication, marketing (including quality schemes), traceability and certification systems;
- In the pig meat sector, stakeholders focus on interventions that address environmental and climate objectives such as water management, reduction of veterinary medicine usage (including antibiotics), emissions and waste reduction, as well as sustainability and efficiency in transport. Energy efficiency, animal welfare and ecological packaging are also considered relevant;
- In the protein crops sector, stakeholders are primarily interested in interventions related to production insurance for safeguarding incomes and managing natural disasters, adverse climate events and diseases or pest infestations.

The livestock sector shows a higher level of interest in the opportunity of seeing OPs extended under the 2023-2027 CAP compared to the protein crops sector. Only France has decided to allow OPs for the protein crop sector.

Additionally, only representatives from livestock sectors, including dairy production, emphasise the importance of those interventions that are related to social sustainability, underlying that small-scale farmers rely heavily on collective activities to alleviate their workload.

Limiting factors for designing and implementing an OP

The complexity of collective strategic thinking and insufficient knowledge and expertise in the design and implementation of an OP are the main limiting factors. These limiting factors include administrative burdens, low levels of cooperation and lack of knowledge and awareness among POs about OPs. These limitations pertain to the workload involved in establishing OP, managing its implementation, ensuring proper oversight and effectively managing funds. Human capacity, particularly among managers, plays a critical role and necessitates capacity building efforts.

Good practices in designing and implementing an OP

Ten good practices to design and implement OPs in the F&V sector have been identified with the aim of guiding and inspiring POs operating in other sectors:

- appropriate governance system;
- balanced mix of investments;
- synergies/interplay between OP and EAFRD;
- dedicated point of contact;
- high quality leadership;
- use of external advisory services;
- dedicated IT management tools;
- good relationships with local authorities;
- flexibility to adapt to changing requirements;
- effective internal communication.

The evaluation of good practices in designing and managing OPs considers two primary indicators: effectiveness; and replicability of the practices. In addition to these two indicators, the good practices have been assessed according to the time required for proper implementation and their refinement, and the cost associated with their adoption and implementation.

Handbook

The Handbook, titled 'Establishing an Operational Programme - Supporting Producer Organisations,' provides information and practical guidance on designing and implementing OPs, featuring evidence-based best practices from the F&V sector.

The Handbook includes practical examples from POs in the beef, pig meat, dairy and plant protein crop sectors across EU Member States. The Handbook encourages POs to tailor their OPs to their unique needs and contexts. Through presenting a range of case studies, it illustrates the diversity of possible interventions, strategies and activities that could form part of an OP. These variety of examples aims to enhance readers' understanding of the opportunities and possibilities for creating effective and tailored OPs. The Handbook is available in all EU languages on the EU Commission website and the EU CAP network website.³

³ <https://eu-cap-network.ec.europa.eu/>.

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