



# Promoting farmer entrepreneurship through producer organizations in Central and Eastern Europe



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The Institutions for Rural Development Series includes four categories of documents (Conceptual Notes, Guidelines, Case Studies, Working Papers) aiming at supporting efforts by countries and their development partners to improve institutions, be they public, private, centralized or decentralized.

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# Foreword

Rural Organizations are essential mechanisms for promoting rural development and sustainable rural livelihoods. A major component of FAO's rural development strategy therefore aims at building and strengthening the organizational and business capacities of small farmer/rural producer organizations, including informal groups, associations and registered agricultural co-operatives.

Voluntary member-owned, financed and controlled producer groups formed to provide maximum benefits to their members have played a major role in helping farmers compete effectively in market-based economies. The expectation has been that these groups would also be able to provide answers to many of the agricultural and rural problems faced by the transitional economies of Central and Eastern Europe. However, because of wider economic, historical, political and social considerations and after the negative experience with large-scale collective farms, agricultural producers remained suspicious of once again pooling their assets in co-operatives. Although the growth in the number of new producer groups based on bottom-up initiatives that have been registered in recent years is quite promising, only a small proportion operate with any real commercial effect and they account for a very small share of all marketed produce.

During the last decade, various aspects of co-operative and other farmer/producer organization development in Central and Eastern Europe (CEE) have been analysed, discussed and published. FAO, through the Rural Institutions and Participation Service (SDAR) of its Rural Development Division, its Regional Office for Europe (REU) and its Subregional Office for Central and Eastern Europe (SEUR) have actively participated in this review process through a series of workshops, conferences, seminars and case studies. The Organisation has also gained important experience through the provision of technical assistance to cooperative and farmer group development in various countries, such as Albania, Macedonia, Serbia and Montenegro. FAO consultants have also been involved in a number of other projects in Moldova and in Bulgaria.

The experience in cooperative developments in CEE countries encouraged the FAO Rural Development Division to commission a synthesis analysis that assessed the present status, problems and technical assistance needs of co-operatives and other farmer/producer organizations in the eight EU accession countries of the sub-region. The outcome was published in the study "Developing Producer Groups and Rural Organizations in Central and Eastern Europe – Issues and Challenges" and web-published by FAO in 2002. It was followed by a FAO workshop in 2003 where the same author, John Millns, prepared an overview entitled "Participatory Farmer Group Development - Experiences from the Balkans". This paper covers agricultural cooperative field programme development in the Balkan countries and was complemented by a detailed case study from Serbia that presented a practical field example of issues and experiences of farmer group development that have been gained through the implementation of FAO technical assistance projects.

This paper summarizes the most important findings, experiences and lessons learned. It is hoped that it will prove useful in assisting development organizations, governments, donors, advisers, producers and rural communities to carry out their own situation analysis, Helping them to develop and implement policies, strategies and technical assistance programmes and projects aimed at promoting more autonomous and financially sustainable producers' organizations and farmer cooperatives in the countries across the entire CEE subregion.

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# Summary

On May 1st, 2004 and after a 14-year transition from central planning to market economics, eight Central and East European (CEE) countries (Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Estonia, Latvia, and Lithuania) became members of the European Union (EU). Bulgaria and Romania are preparing for accession and are expected to join in 2007. Croatia submitted its application for membership in 2002 and Macedonia in 2004.

However, the degree of cultural and economic variation between countries in CEE is quite wide. Even greater gaps have become visible between the “old” EU-15, the 8 new member countries, as well as Balkan and other European countries still not within the EU, particularly as regards infrastructure. There are lesser or variable differences in rural resources and the productive sector. On the whole, agriculture in CEE has a more important influence on the economy and employs a greater proportion of the labour force less efficiently.

In theory at least, voluntary member-owned, financed and controlled producer groups and farmer cooperatives should have a central role to play in enabling their members, and the wider rural community, to take an active part in their own development across CEE. Yet, very few have a major share in supplying inputs, providing farm or rural services or marketing production and even fewer influence national policy or decision-making. In reality it seems that their role still cannot be entirely divorced from wider historical, political and socio-economic considerations and the generally negative experiences of “co-operation” gained throughout the region.

Production co-operation has declined significantly across CEE and although most formerly state-managed post harvest and processing co-operatives now largely operate independently, they are often burdened with excess debt, inappropriate and management systems, reduced membership as well as increasing national and international competition. Commercial and social objectives and obligations are often confused. Conflicts of interest often arise between their diverse owners and this neither enables them to raise sufficient capital nor provide clearly measurable benefits to their members.

However, few producers are individually large enough to compete effectively in national or global markets and almost paradoxically informal co-operation is on the increase. Ultimately its success will depend upon local initiatives, individual motivations, consensus and voluntary participation. To survive and grow many new groups will also have to be dynamic, creative, flexible, responsive to change and probably somewhat optimistic. However most importantly they will need to be well structured and managed, continuously aim to improve their activities, identify competitive and added value market opportunities, focus on quality and service, and most essentially, maintain a committed and active membership.

Few newly established producer or other rural groups have adequate access to information, advice, training or technical assistance that enables them to carry out a situation analysis on their own terms, trace their own path or generate innovations without being over burdened with inappropriate models or dogma. Yet producers and rural communities do need time and technical assistance to mobilise their resources in order to respond to the pressures of competitive markets.



The main challenge now for technical advisers in CEE is to help in developing competitive agricultural and rural based business enterprises and to provide support services that are arranged to fit the complexities of new realities. The demand for proper project feasibility studies, planning, marketing and development of added value activity is still not totally addressed and advice on group development is often inconsistent, contradictory or confused. Much advice has focused simply on registering a group and preparing a statute. Advisers can play a more proactive role by facilitating and not dictating planning meetings for group directors and encouraging cross fertilisation of ideas between groups. Advisers may also help producers and groups to reflect on long standing problems and consider their strengths, weaknesses, opportunities, threats, short and long term objectives, activities, membership agreements and operational procedures. Specially trained organisers living in project areas might also encourage producers and rural communities to further develop group decision-making and self-reliance skills.

Part 1 of this paper presents an overall analysis of the situation and development of producer groups and farmer cooperatives across CEE, including the new EU members, the applicant countries and Balkan states alike. Part 2 provides a case study of FAO experiences and lessons learned with technical assistance programmes and projects in the subregion. The example presents a number of practical suggestions as to how development organizations, governments, donors and advisers might be best able to facilitate the formulation and implementation of policies and strategies that promote the further development of more autonomous and financially sustainable producers organizations and cooperatives in CEE countries.