

SMALL FARMS MANAGED BY YOUNG FARMERS UNDER NEW „FARM-TO-FORK” STRATEGY



Edited by

Wawrzyniec Czubak, Karolina Pawlak, Pavel Kotyza

 CEDEWU



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The support of producer groups is obviously important and necessary, since in many cases they can activate and integrate special resources, and generate such advantages or even long-term sectoral impacts that would not or could not emerge at all with sufficient efficiency in other situations. It should not be ignored, however, that dependence on sources becomes counterproductive in the long run. According to this, producer groups must strive to tailor their capabilities and special resources to their own characteristics and operating environment. In the future it is expected that the traditional problems and challenges aimed at the minimisation of production costs and unit prices (static competitive advantages) will remain (e.g. inflation, labour costs, volatility of energy prices, etc.). However, new trends also appear and the producer groups must adapt to them as well. The importance of soft factors is also becoming more and more important. Strengthening trust, developing social capital and culture becomes particularly decisive in the digital transformation that also affects agriculture. Producer groups can be innovative and exemplary in this area as well.

6.3. Driving forces and effects of horizontal integration in the supply chain: farmers' experiences

Krisztián Kis, Sándor Nagy

Cooperation is an undeniably important part of social and economic life. This is no different in the agricultural sector, where cooperation through the associating and networking of producers (e.g. co-operatives, producer organisations, producer groups) plays a prominent role in organising and coordinating producers' activities, enabling them to realise economic, social and cultural benefits that they would not be able to achieve on their own.

As Náray-Szabó (2006) pointed out, history has shown that one of the laws of development is that groups, which members cooperate with one another have an advantage, and that human communities that are better organised can develop and survive in the long run. In this context, those individuals, organisations and societies that are able to adapt and respond

to new challenges are the ones that can develop and succeed. Entities must continuously respond to the so-called adaptive pressures rooted in and shaped by external environmental changes, whereby the sum of these responses and the underlying set of capabilities together create the capacity for long-term, dynamic adaptation. Emphasizing the importance of adaptation and adaptability is rooted in biology. According to Charles Darwin's theory of evolution, in the process of natural selection organisms that are able to adapt to changes survive and that, thanks to their favourable traits, are able to respond to selection pressure. According to Cofnas (2017), there are two types of phylogenetic adaptation: genetic and cultural. Genetic change is therefore only one possible way of adapting to the environment over phylogenetic time. Cultural evolution is another way of adapting on this time scale, whereby knowledge and traditions increase the adaptive fit between the organism and the environment.

It can be said that the evolution of humanity is nowadays mainly not through changes in genetic material, but through cooperation and exchange of information within groups (Náray-Szabó, 2006). In the present stage of evolution, which we may call social or cultural evolution, in the age of the knowledge economy or the information society, knowledge and social cooperation play the main role. In the social and economic development that has unfolded over the last decades, the role of knowledge and capabilities has been enhanced. Science and technology have become decisive factors in the development process that is still unfolding today, with human knowledge and capabilities as the primary resources.

The creative process, by which the material and non-material resources of our environment is made usable to humanity, is determined by science and technology. It is the sum of human knowledge and capabilities that is the primary resource that defines all others. We can therefore say that the source of resources is knowledge and that resources are not things, materials or objects, but capabilities (De Gregory, 1987). At the same time, as Farkas (2006) pointed out, knowledge has always had an important function in social life and it can be considered a kind of "anthropological constant" that knowledge is the basis of all human action. Knowledge can also be understood as a kind of social organising force, since different kinds of knowledge (agricultural, farming, organisational, etc.) organise life, and relations between individuals are also based on each other's knowledge, while the passing on and transfer of knowledge is also based on knowledge.

In general, cooperation can be understood as a process, whereby actors, entities involved in cooperation, engage in coordinated activities to achieve common goals along common interests. In other words, cooperation is a system of coordinated relationships and activities between people (individuals) and organisations to realize mutual benefits and advantages (Kis, 2011). Following Spekman et al. (1998) and Zentes et al. (2005), cooperation can be described as a close, long-term, mutually beneficial arrangement between two or more partners, in which resources, knowledge and capabilities are shared or jointly created with the objective of enhancing the competitive position of each partner.

Cooperation leads to the establishment of functioning networks, which in turn increases the social capital available to individuals and the community, thereby improving the community's capacity to act and advocate (Kis, 2011). The utilisation of social capital, its use as a real resource, is based on cooperation between parties. Cooperation enables social capital to be integrated into social and economic processes as a resource for action and advocacy, creating a new combination of resources that can contribute significantly to the long-term success of the social formations that result from cooperation and the participants in these formations. Through cooperation, participants acquire capabilities and entitlements that improve their chances of adaptation (Kis and Pesti, 2015).

Cooperation can be understood as an organisational innovation, whether it results in formal or informal organisation, which enables the participants in cooperation to carry out their activities and organise their operations at a higher level, more efficiently and effectively. The linking and networking of the various players creates a favourable basis for effective and mutually beneficial cooperation, which puts their participants in a better position to benefit. The essence and significance of networking and cooperation among actors is that through linkages and cooperation participants can carry out activities and achieve goals that are beyond their individual capacities and capabilities (Kis and Tóth, 2016).

In nature evolution, or development, takes place through relations. From relations new, sometimes extraordinary, features arise. Features that cannot be attributed to any or the sum of the related parts are called emergent properties (Conti, 2009). The degree of complexity of organised social systems is determined by the number of components, their variety and

differentiation, and the interdependence, the degree of interdependence, or the integration of the components (La Porte, 1975). The number and diversity of the components are therefore an important, but not a sufficient condition for the increase of complexity, i.e. for development, since the relationships between the components are indispensable. Systems can best be understood as networks (Kertész and Vicsek, 2006), i.e. by mapping the network of interactions between components (Vicsek, 2003). A system is not a simple set of elements and element relations, but a “whole” with qualitatively new (integrative) properties capable of performing functions at a higher level than its components (Zvikli, 2009). The interdependence between components is the main factor that most determines the characteristics and behaviour of the system and its performance. Such relationships usually result in unique properties, or emergences (Conti, 2010). Cooperation plays an important role in coordinating the activities and operations of the participants and in jointly organising and performing certain tasks and functions. In this way, synergies emerge, new mechanisms are triggered and new structures come into being. In this way relationships, networks between actors and cooperation become a key factor for higher social and economic value creation.

Agricultural producers face many challenges and have to find a way to develop in an ever-changing environment. In this pathfinding process, cooperation based on effective networking between producers is crucial. Through their networks, typically small-scale agribusinesses can develop mutually beneficial cooperation in all areas and segments of agriculture, thus ensuring themselves the benefits of flexible adaptation and economies of scale (Kis, 2014). The essence of cooperative models is that farmers build joint capacities to compensate for their size disadvantages and market positions, and jointly manage input procurement, capacity utilisation and marketing channels. This type of cooperation and networking supports small and medium-sized farms to develop specialisation and capital concentration, and to acquire and use technology (Savanya, 2013).

Cooperation can therefore offer many benefits for agricultural producers. In general, the main economic, social and cultural benefits that can be realised through cooperation can be summarised as follows:

- cooperation leads to improving competitiveness, efficiency and innovative capacity of participants;

- cooperation enhances the ability of participants to respond to market challenges and opportunities;
- cooperation facilitates the sharing and exploitation of knowledge, experience and resources;
- cooperation contributes to strengthening of social links and cohesion of participants and to increasing trust and social capital.

In this context, the benefits of the social formations and social institutions to farmers that result from cooperation, which can be horizontal or vertical, formal or informal, short- or long-term, can be summarised as follows (Candemir et al. 2021; Jámbor and Szabó, 2017; Kovács and Kis, 2017; Panyor, 2015; Szabó, 2006):

- improve members' advocacy and bargaining power;
- reduce transaction costs;
- better input market conditions and lower input prices through concentrated purchasing;
- concentrated selling leads to better output market conditions, better access to markets and higher prices;
- members are more economically protected and face fewer risks due to risk sharing;
- better access to information, knowledge and technology;
- stimulate agricultural innovation;
- access to common infrastructure and better marketing management;
- lower production costs, higher profitability;
- greater efficiency, higher value added and increased competitiveness;
- producing and marketing higher volumes, more consistent and better quality products and services;
- joint marketing, advertising, packaging and branding;
- improved food safety and traceability;
- promoting the adoption of environmentally friendly technologies and practices;
- strengthening social relationships, trust and belonging, which is beneficial for the increase of social capital;
- legal and administrative support.

In the VISYFARM project 20 case studies of cooperatives were carried out to explore the main operational characteristics of each cooperative, their role and importance, their relationship with the membership and the benefits they bring to members. Below we present extracts from a case study of the TAR-TÓ 2000 Cooperative that we have previously examined and believe it provides a good example of the role and importance of cooperatives.

The TAR-TÓ 2000 Cooperative (purchasing, selling and processing cooperative), with its head office in Sándorfalva (Hungary), was established on 20 December 1999 with 15 members. The main reason for the formation of the cooperative was to improve the market situation of producers (to alleviate/improve unfavourable marketing opportunities and to increase low market prices). Initially (at the time of its formation) the main objective of the cooperative was to provide a secure market for pigs produced by its members. Later, the scope of objectives and the operation of the cooperative expanded. In addition to the joint sale of pigs, this included joint purchase of feed and piglets for fattening, the development of a joint veterinary service, the provision of specialist advice to members, slaughtering and meat processing, the sale of pig carcasses and cuts, and on-line sales.

The development of the Cooperative is illustrated by the fact that in 2002 the sales volume was 1,000 pigs per year, which has now increased 35-fold, so that currently some 35,000 pigs are sold by members through the cooperative. The Cooperative currently has 48 members who sell between 100 and 2000 pigs through the cooperative each year. The legal forms of the producers are: primary producer (licensed traditional small-scale producer), individual producer (individual entrepreneur/sole proprietor), and Limited Company (Ltd.). In previous years there were 7 farmers who received grant from the young farmers scheme. The geographic location of the members is the Southern Great Plain region of Hungary, typically the Csongrád-Csanád county, but there are also members from the Bács-Kiskun and Békés counties.

The activities of the Cooperative include:

- joint marketing of slaughter pigs;
- joint purchase of feed;
- joint purchase of piglets for fattening;
- organising joint veterinary and animal health services for members;

- the provision of specialist advice to members;
- slaughtering of pigs;
- meat processing;
- marketing of meat and meat products;
- administrative assistance, legal affairs, tendering;
- organising farm visits and study trips,
- organising family days out.

The Cooperative is present on the market with the following products:

- live animal sales (about 20% of the volume produced);
- sales of pig carcasses and pig cuts (around 80% of the volume produced).

The Cooperative's main customers are small shops, butchers, restaurants, meat processors and canners in the Southern Great Plain region. In addition, since 2019 they have also been operating an online shop, which is mainly used by private individuals and households.

Quality plays an important role in the life of the Cooperative, therefore great care is taken to source good quality piglets for fattening, to source good quality feed and premixes, to produce feed according to constantly revised recipes, to mix feed, to provide expert advice to promote information and knowledge sharing, to ensure excellent animal health status (common veterinary service for members) and to comply with animal welfare requirements. In the context of expert advice it is possible to transfer experience, share good practices, evaluate production results, set up production trials, make proposals for improvements and improve production processes.

In an interview the Cooperative's president explained that membership has a tangible economic impact on members in all circumstances, but that the benefits are most pronounced in adverse market conditions. In this way, the cooperative significantly contributes to reducing the negative effects and puts members in a position where they can access inputs at lower prices and sell at higher prices through the cooperative. In addition, there are other impacts, such as easier and simpler administration (reduction of administrative burden), more efficient information and knowledge sharing, process improvement and innovation (expert advice, management evaluation).

The most important incentives and drivers for members to establish and join the TAR-TÓ 2000 Cooperative in order of importance (percentages in parentheses indicate the degree of agreement of members), were as follows (Kovács, 2017): easier sales (97%), more predictable production organisation (71%), realisation of higher market/sales prices (68%), easier access to information (57%), lower purchase prices (57%), easier access to subsidies (48%), and improvement of the financial and liquidity situation (45%).

In assessing the benefits provided by the cooperative, we asked members of the TAR-TÓ 2000 Cooperative how much they agreed with the statement that “membership in the co-operative has brought them increased economic benefits”. Around 91% of members said that they agreed (34%) or strongly agreed (57%) with this statement, meaning that membership in the cooperative has clearly brought them economic benefits. Furthermore, 97% of members said they were satisfied with the results achieved by their cooperative membership.

The Cooperative contributed to members’ effectiveness and performance in the following areas (Kovács and Kis, 2017) (percentages in parentheses indicate the level of overall agreement of members): easier sales (100%), more certain and secure realisation of sales proceeds (94%), higher market prices (92%), easier access to information (89%), improved financial and liquidity situation (86%), more predictable production management (85%), easier access to subsidies (82%) improved profitability (80%), improved quality (74%), lower purchase prices (74%), improved natural efficiency (71%), improved animal health situation and reduced animal health risks (72%).

Overall, it can be said that the cooperative contributes greatly to the stable and predictable operation of the members’ farms, which makes their economic and farming activities more promising. It is important to note that a cooperative not only provides economic benefits to its members, but also embodies a sense of belonging to a community and as such plays an important role in building trust, cooperativeness and social capital. It results from the survey among the TAR-TÓ 2000 Cooperative members that 57% of them strongly agree and 34% agree that a cooperative not only provides them with economic benefits, but also represents belonging to a community, while 9% of members are undecided on this point. Thus, 69% of members strongly agree that they feel pride and satisfaction in being a member of

the cooperative, 20% agree with this statement, while 11% of members are undecided (Kovács and Kis, 2017).

The assessment of the benefits provided by the cooperative and the extent, to which these benefits met members' expectations confirms our view of cooperatives that the cooperative was indeed able to deliver benefits to its members that resulted in the improvement of the members' position. This is supported by the fact that 97% of the TAR-TÓ 2000 Cooperative members agreed with the statement that membership of the cooperative has provided them with what they expected when joining the cooperative. Around 60% strongly agreed with the former statement, 37% agreed and 3% of members were undecided about meeting expectations (Kovács and Kis, 2017).

The cooperative and its operating model is unique in the country, there is no other producer cooperation that offers similar benefits to pig producers. In this respect, the existence and operation of the cooperative is unique in the Hungarian pig sector.

6.4. The role of social capital in shaping the integration processes of young farmers

Krisztián Kis, Sándor Nagy

At the turn of the 20th and 21st centuries, the concept of social capital has become more and more widespread in the social science literature, and with it the importance of this specific form of capital as a non-material resource influencing social and economic processes has been recognised. Social capital is seen as a resource rooted in culture.

Robert D. Putnam (2000), in his book "Bowling alone", considered Lyda Judson Hanifan as the first to write about social capital and its importance in the life of rural communities in his article "The Rural School Community Center", published in 1916. He used the term "capital" in a figurative and metaphorical sense. Hanifan used the term "social capital" to describe interactions, sympathies and attachments in the daily lives of people who form a social unit. He used it to express things that are important for social life such as goodwill,