Effects of Public Support on Producer Groups Establishment in the Czech Republic and Slovakia

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Anotace

Deset států, které v roce 2004 vstoupily do EU, mělo možnost čerpat finanční prostředky z rozpočtu EU na podporu nově založených odbytových organizací (skupin výrobců) uznaných až do prosince 2006. Analyzované státy (Česká republika a Slovensko) otevřely dotační program za účelem podpořit vznik nových odbytových organizací a současně podpořit snížení administrativní zátěže. Hlavním cílem článku je porovnání podmínek a dopadů uvedeného dotačního programu v České republice a na Slovensku a navržení možných programových inovací. Článek vychází z literárního přehledu dané problematiky, porovnává legislativní podmínky, měří množství uvolněné podpory a porovnává dopady, jaké mají nově založené a podpořené organizace na zemědělský sektor po ukončení vyplácení dotace (tj. po 5 letech od založení). Z analýzy vyplývá, že lepší využití poskytnutých prostředků bylo dosaženo na Slovensku. Menší počet podpořených organizací a rozdílné podmínky vyústily ve větší podíl úspěšných organizací, větší průměrné tržby a vyšší podíl tržeb k celkové produkci zemědělského odvětví. Z tohoto důvodu byla navržena doporučení pro Českou republiku pro změnu podmínek poskytování příslušných dotací. Článek byl vytvořen jako součást grantu poskytnutého Interní grantovou agenturou PEF ČZU (č. 20121077).

Klíčová slova

Skupiny výrobců, odbytové organizace, ČR, SK, Program rozvoje venkova 2004 – 2006, tržby, úspěch, efekty.

Abstract

Ten countries that have joined the European Union in 2004, had a chance to use EU rural development instruments for support of establishment new producer groups of agricultural producers between 2004 and 2006. Both analysed countries (Czech Republic and Slovakia) have used the opportunity and co-financed programme that aimed on supporting establishment and alleviation of administrative burden. Main aim of the article is to compare conditions and outcomes of the programmes in the Czech Republic and Slovakia and to propose programme innovations. The article describes theoretical assumptions, compares legislative background in selected countries, measures amount of support available and compares outcomes of newly established groups after receiving last supporting payment. One of the conclusions finds Slovak approach more effective. Lower number of supported groups and different conditions result in higher share of successful organisations, higher average revenues of supported groups and higher proportion of revenues in relation to total output of agricultural industry. Finally there are proposed recommendations for the Czech Republic, how programme conditions should be innovated. The article originated as a part of the Internal Grant Agency (IGA) of the Czech University of Life Sciences Prague, Registration Number 20121077.

Key words

Producer groups, marketing organisations, Czech Republic, Slovakia, Rural development programme 2004 – 2006, revenues, success, effects.

Introduction

Czech and Slovak agriculture faces strong competition after accessing to the European Union in 2004. Since then, both countries have been trying to improve their situation on the common market. There have been offered different policies and supportive financial programmes both by national and EU bodies. One specific measure was aiming at development of joint marketing organisations of producers, so called producer groups. This programme was open in both countries between 2004 and 2006.

Czech Republic and Slovakia are members of the EU Single Market and therefore they compete with other, more advanced, agricultural producers. Agricultural producers need to face imperfect competition, they struggle with producers from other member countries and therefore they search for new strategies to increase their competitiveness (Huml, Vokačova, Kala, 2010). Vertical integration might become one of the successful strategies. Importance of farmers' cooperation has been confirmed by many authors (Latruffe et al. 2004; Andrew, 1976; Ratinger, Bošková, 2013). Latruffe (2004) defined two most important factors of technical efficiency – farmer's education and downstream market integration of farms. Special attention is paid to the integration of farmers into marketing organisations.

According to Bijman (2002), many vertically integrated organisations in EU exist. Marketing organisations oppose oligopolies or monopolies (Zamagni, 2012); ensure profits not to be distributed towards middleman or commodity processors (Chloupková, 2002). Marketing organisations might ensure information exchange, joint handling, joint agreements, cost reduction (time, labour, transportation), technical information requirements, increasing access to credit, and others (van Anrooy, 2003).

Marketing organisations were widely developed in former Czechoslovakia before the Second World War (WW2); traditions in cooperation reach as far as to the 19th century when first marketing co-operatives were established. Before the WW2, the co-operative structures were widely developed in the Czechoslovakia and significantly contributed to rural development (Hůlka, 1931). Communist regime started a process of collectivisation in 1950's; Czech and Slovak farmers were forced to join collective co-operatives (in fact collective farms) or they were persecuted.

Joint actions of producers have been limited, after communist takeover Czechoslovak government transformed marketing cooperatives to government-owned enterprises that supplied agricultural producers with both inputs and outputs, marketing of their products were controlled by state (Lošťák, Kučerová, Zagata, 2006). Privatisation that took place after 1989 has not returned nationalised assets to former co-operative owners.

Although Czechoslovakia fell apart in 1993, further development has not changed significantly. From 1993 to 1999, only small number of marketing organisations has been established and newly created organisations have not been entitled to any financial support. After 1999, both countries were implementing European legislation and they both established supportive tools for newly established organisations. The most significant change has been introduced after access to the EU. All new member countries had the opportunity to source money from the Rural Development Programme 2004 - 2006 (Council Regulation (EC) No. 1257/1999, chapter IXa, article 33d). European legislation calls marketing organisations or agricultural producers "producer groups" (PG); this expression will be used in the text below. Financial grants are supposed to initiate establishment and successful development of newly established entities, 25% of the support is provided by national government, the rest by the EU budget.

Defining successful agricultural marketing organisation is quite complicated as there exist many different approaches (Adrian, Green, 2001; Sexto and Iskow, 1988; Hendrikse, Veerman, 1997). In the article, there is employed basic assumption defined by Banaszak (2009). She specifies successful organisation as any group that organises joint sales of its members. Although she does not consider economic results of groups in her condition, it is obvious that producer groups are economic entities that should be able to survive without receiving any subsidies on the market. (Ejsmont, Milewski, 2005)

Size of a group also matters, as farmers behave very rationally seeking for their profits. As long as the marketing organisation offers significantly high premium, members are loyal. However, if new and better market opportunity occurs, producers tend to lose their loyalty toward organisations and sell outside the group. (Banaszak, Beckmann 2010). Larger groups have therefore higher chance to be successful (Bansazak, 2007) although such groups find more difficulties in co-ordinating and communicating their actions (Kollock, 1998; Olson, 1965).

Materials and methods

Main aim of the article is to compare conditions and outcomes of the programme in the Czech Republic and Slovakia after 5 year supporting period. Further objectives are defined as follows:

a) to compare legislative conditions; b) to sort marketing organisations according to their legal form and their success; c) to analyse impact of successful groups on total agricultural output of the Czech Republic.

Authors source information from publications of the Czech and Slovak ministry of Agriculture, Czech State Agriculture Intervention Fund (SAIF[1]), Slovak Agricultural Paying Agency (SAPA[2]) and Czech Commercial Register and Collection of Documents[3], Slovak Business Register[4]. Additional data were also sourced from Bisnode database[5] and EUROSTAT[6].

The first part is focused on legal aspects and requirements. As legal aspects in both countries result from EU legislation, this part compares differences in main and secondary objectives (Czech Republic, Slovakia and EU) and differences in conditions.

The second part analyses available data on support and programme's outcome. Because the programme was designed for 5-year period and started latest in 2006, it can be argued that all companies registered shall already have received awarded amount of support and programme's performance analyses can be executed.

First of all, sample of companies is described and sorted according to their legal form. Second, supported groups are sorted into categories according to their status of December 2013. Based on the Banaszak's assumption (2009) and own experience, authors define 3 basic groups of organisations (successful, not successful, organisations that cannot be evaluated) and some additional subcategories (see Table 1).

After the categorisation, successful companies are further analysed. Their revenues are collected and help to measure programme's effect. For the calculation, following formula is used: (1)

$Effect = \frac{TR_{SO}}{OPT_{AI}} \times 100\ (\%)$, where $\mathbf{TR_{SO}}$ represents *Total revenues of successful companies* and $\mathbf{OPT_{AI}}$ *Output of agriculture industry in basic prices*.

Both countries are also compared by indicator – Financial Support on Creating One Successful Organisation (FSS). Because there are companies that cannot be evaluated, authors do not include them in the calculations. Therefore, formula (2) is designed as follows:

$FS_S = \frac{TFS - FS_{CBE}}{N_{SO}}$, where **TFS** represents *Total Financial Support*; $\mathbf{FS_{CBE}}$ *Financial Support of Companies that Cannot be Evaluated* and $\mathbf{N_{SO}}$ stands for *Number of Successful Organisations*.

[1] List of Beneficiaries (seznam příjemců dotací)
[2] Data were required after email communication with Ms. Milkova, Public Relation Office
[3] www.justice.cz
[4] www.orsr.sk
[5] www.ipoint.cz
[6] Total Agricultural Output

Classification	Condition
- Successful	Main activity (joint sales of members' products) prevails also after granting period, relatively constant level of sales or their increase.
- Not Successful	
In liquidation	The companies are in the process of liquidation or has been already deleted from the Commercial Register
Significant decrease of main activity	Main activity decreased during the examined period by more than 90% after receiving final support from the programme
Not active	The main activity is not carried out at all. Either the organisation posted no sales or their limited sales were from other activities.
One member or owner only	One member organisation cannot be evaluated as a group*
- Cannot be evaluated	
Data are not available	Although every company is obliged to provide annual data to Collection of Documents, subjects in this category have not provided any information.
Question mark	a) the newest financial data concerns year 2009 or older; b) y-o-y change of the main activity has decreased between 50% and 90%.

* Based on ruling of the Highest Administrative Court of the Czech Republic no. 8 As 103/2012 – 45 and official statement of the Czech Ministry of Agriculture.

Source: Authors based on Banaszak (2009)

Table 1: Classification of marketing organisations into Groups.

Results and discussion

Legal aspects of the programme

After 2004, both surveyed countries exploited the chance to use EU support to support newly established producer groups. Although both countries had based their requirements on the same Council Regulation (EC) 1257/1999, they became not identical. Czech government implemented conditions into government act no. 655/2004 Coll. Slovakia stated relevant requirements in the programming and methodological documents, published by Slovakia Agricultural Paying Agency (SAPA, 2004)

As presented in the Table 2, objectives have been overtaken from EU pattern. In the Czech Republic, primary objective deals with creating conditions and increasing competitiveness of Czech agricultural producers, while the programme is mainly aimed at supporting establishment and mitigation of administrative burden in the EU and Slovakia. However, there is no doubt that improvement of competitiveness stands also behind the EU and Slovak objective. Secondary objectives (both Czech and Slovak) are based on EU objectives, with some exceptions. Creation of producer groups should also result in increasing value added of marketed products (in both countries) and result in employment of new technologies and marketing structures (only in the Czech Republic).

Also rules and conditions for providing financial support have been partly adopted from EU legislation, although the regulation 1257/1999 states that rules and conditions shall be based on national or community law. But EU provided guidance with good practices for implementation. Recommendations clearly warn new EU members from setting up empty and only administrative structures (European Commission, 2003).

Both countries accepted many similar requirements that new groups need to fulfil to gain financial support. Those are, among others:

a) members of producer groups are only agricultural producers;
b) producer group has to be legal person;
c) producer group sells commodities of its own members, unless one or more members do not fulfil contracted amount or total amount of commodity purchased from non-members does not exceed 20% of total amount supplied to the market;
d) annual instalments, calculated on the principle of annual group‘s marketed production on which the group was recognised;
e) sound business and financial plan is prepared;
f) members need to sign articles of incorporation and contract with the group. Contract defines product quality, price setting, length of membership, etc.;
g) producer group commit to provide necessary statistical data; commit to allow auditors to check its bookkeeping documents;
h) any agricultural producer cannot be a member of more groups for one registered commodity;
i) projects are not supported from other sources.

<table>
<tr><th></th><th>No.</th><th>Slovakia</th><th>Czech Republic</th><th>European Union</th></tr>
<tr><td>Main objective</td><td></td><td>Supporting the establishment and alleviation of administrative burden for Producer Groups</td><td>Create conditions for producer groups to be competitive on the single market of the EU.</td><td>Supporting the establishment and alleviation of administrative burden for Producer Groups</td></tr>
<tr><td>Secondary objectives</td><td>1</td><td colspan="3">Adapting the production and output of the producers who are members of such groups to market requirements</td></tr>
<tr><td></td><td>2</td><td colspan="3">Jointly placing goods on the market, including preparation for sale, the centralisation of sales and supply to bulk buyers</td></tr>
<tr><td></td><td>3</td><td colspan="3">Establishing common rules on production information, with particular regard to harvesting and availability</td></tr>
<tr><td></td><td>4</td><td colspan="2">Increasing Value added of marketed products</td><td>-</td></tr>
<tr><td></td><td>5</td><td>-</td><td>Support development of technologies and marketing structures</td><td>-</td></tr>
</table>

Source: SAPA (2006), gov. Act No 655/2004 Coll., Council Regulation (EC) No 1257/1999, own processing

Table 2: Objectives - supporting measure Producer Groups (2004 – 2006).

On the other hand, some conditions are not alike or are accepted in one country only:

a) Groups in Slovakia consist always of at least 5 members; the more members, the higher support. In the Czech Republic, minimum total turnover of all group members/shareholders shall exceed CZK 3 million, or a group shall consist of at least 5 members[7].
b) Members market 100% (Czech Republic) or 70% (Slovakia) of produced and registered commodity through the group.
c) In Slovakia, producer group cannot discriminate its members and producers cannot have any liabilities toward state.
d) In the Czech Republic, producer group cannot market processed agricultural products.
e) Amendment Czech governmental act specified that producer group consists at least of 2 members and commodities sold back to members are not considered into total marketed production.

Governments and paying organisations could also select commodities that might be registered for joint selling. Slovakia included more commodities to the list and therefore provided more possibilities to producers for integration. It is important to mention that marketed products not included in the list cannot be counted in the total turnover and therefore they do not contribute to the amount of annual instalments.

Similarly to requirements, majority of commodities is alike (cereals; oil bearing products; potatoes; flowers, wood, herbal, aromatic and spice plants, pigs, poultry and beef for slaughter). But also milk (cow, sheep and goat milk), sugar beet, hops and tobacco, legumes and other products from goats and sheep (meet and wool) were included in Slovakia. On contrary, the Czech government included hemp and flax (only for fibre), slaughter goats, sheep and running birds.

Annual instalments have been calculated on the principle of annual group‘s marketed production on which the group was recognised. The support shall be granted in annual instalments for the first five years after the group was recognised. The regulation allowed member countries to decrease amount of support provided, if necessary. This possibility has been exploited by the Czech government (Gov. Act No 318/2008 Coll.). Therefore, maximum annual support was decreased to EUR 11,220 from 2008, mainly due to high number of newly registered groups.

Programme outcome in the Czech Republic

Over 200 groups were supported in the Czech Republic; the groups were established in three different legal forms – joint stock companies (2; 1%), co-operatives (91; 44%) and limited liability companies (115; 55%). All groups received over CZK 509 million (EUR 18.6 million); average support per group exceed CZK 2.4 million (EUR 89.4 ths.). Joint stock companies and co-operatives received an above average support. However average results of joint stock companies need to be considered carefully. Only two joint stock companies that received any support achieved very different results, both of them are not considered as successful.

Based on the data presented in the table 3, average co-operative was able to source by 30% more comparing to an average Limited Liability Company. This fact indicates that an average co-operative was able to market agricultural products in higher values.

Authors cannot agree with results of the programme announced by the Czech Ministry of Agriculture in 2009. The Ministry finds the programme effective, arguing that number of producer groups has increased, simultaneously their negotiation power has been improved which resulted in higher

[7] Czech condition led to many legal proceedings, as single member organisation with turnover over CZK 3 million required to be registered as producer groups, while Czech Ministry of Agriculture accepted required at least 2 member organisations.

Legal form	Organisations		Total support			Average support	
	∑	%	CZK	EUR	%	CZK	EUR
Limited liability company	115	55.30%	247,423,238	9,029,617	48.60%	2,151,506	78,518
Co-operative	91	43.80%	254,713,547	9,295,674	50.00%	2,799,050	102,150
Join stock company	2	1.00%	7,161,803	261,367	1.40%	3,580,901	130,684
Total	**208**	**100%**	**509,298,588**	**18,586,658**	**100%**	**2,448,551**	**89,359**

Source: authors, based on SAIF data

Table 3: Funds provided to groups according to legal form, Czech Republic, December 2013.

economic stability of its members. Below, there are presented facts that disprove such statement.

Performed analyses proved (see table 4) that a majority of supported groups cannot be considered as successful. From the total 208 established companies, 45 companies (22%) have already started or finished winding-up process, 29 companies (14%) have only one owner, 49 companies (24%) experienced significant decrease in value of goods sold through the organisation after or during 5 year period. This means, 129 (59%) companies did not experienced success or were created on purpose with aim of receiving financial support. There were 25 organisations classified as successful, they stabilised their turnover or increased volume of sales, have not limited number of members after or during the 5 year period. Total amount of unsuccessful and successful organisation could differ as 60 companies cannot be evaluated – 21 companies were labelled as "question-marks" and 39 companies did not publish their annual data.

Total support provided to new agricultural marketing organisation exceeded EUR 18.5 million (over CZK 509 million). As presented in the table 4, average support of one successful organisation reached EUR 97.68 ths (CZK 2.68 million). Organisations with "question mark" received over EUR 100 ths. (CZK 2.7 million). Organisations not providing annual data into Commercial Register gained the lowest average support.

There can be suggested, the programme should not be qualified as successful, as only 12% of companies can be classified as successful and 59% as not successful. It is worth noting that many unsuccessful groups have been put into liquidation, have terminated their business or have kept limited amount of owners just after receiving last payment. Up to December 2013, governmental expenditures on creating one successful organisation (FS_s) from the programme reached EUR 537.6 ths. (CZK 14.73 million). For a comparison, expenditures on creation of one successful organisation are by 85% higher (in CZK) than expenditures within preceding national programme employed between 1999 and 2003.

All companies considered as successful did not provide their annual financial data. In surveyed years, total revenues of all considered companies approached to EUR 60 million in 2009, 2010 and 2011. Although an average revenue exceeds EUR 2.7 million per one group, as depicted in graph 1, only 4 groups (g7, g11, g15, g23) exceed the average value presented as a horizontal axis in all analysed years. The lowest revenue gained by producer group was EUR 29,651 (g12, 2011). The highest value was reached by group 7 (almost EUR 14 million, 2010) and it spoils average significantly. Based on the fact that each producer group could be registered for multiple commodities, there is not evident from available data, which commodities are mostly marketed through successful organisations.

Impact of the programme is measured according to *Effect* formula. As indicated in the table 5, the share of successful groups did not exceeded 1.7%, although there was not possible to get financial data for all (25) groups. According to authors' estimations, the share would not exceed 2% even if there are available data for all groups. It is also important to mention that 4 groups with the highest revenues (g7, g11, g15, g23) contributed by 45% and 40% to the effect in 2010, respectively 2011.

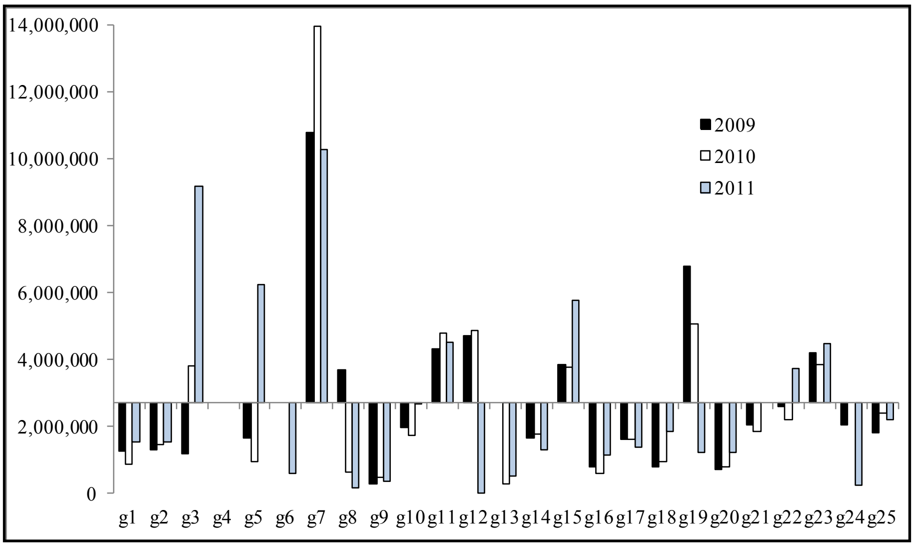
Programme outcome in Slovakia

Within the Slovak programme, 34 groups were approved for granting. 31 producer groups were established in the form of co-operative, while only

	∑	%		Total EUR	Average EUR
Successful organisation	25	12%		2,441,940	97,678
Organisations with the only member/shareholder	29	14%	59%	2,342,746	80,784
Organisations in liquidation	45	22%		4,432,225	98,494
Organisations with significant decrease in sales	49	24%		4,223,014	86,184
Organisations with question mark	21	10%	29%	2,111,095	100,528
Organisations with no data available	39	19%		3,035,842	77,842
Total	**208**	**100%**		**18,586,861**	**89,360**

Source: authors based on data from SAIF and Commercial Register of the Czech Republic

Table 4: Effects from the financial support on establishing producer groups in the Czech Republic, December 2013.



Note: horizontal axes equals to average revenue of successful companies

Source: Authors, based on data from Commercial Register of the Czech Republic

Graph 1: Revenues of successful producer groups, Czech Republic, 2009 – 2011, EUR.

	2007	2008	2009	2010	2011
N (%)	21 (84%)	21 (84%)	22 (88%)	23 (92%)	23 (92%)
Output of the agriculture industry (mil. EUR)	4,328.40	4,801.41	3,700.23	4,058.13	4,834.46
Revenues and Production (mil. EUR)	54.31	64.51	60.09	58.87	62.24
Programme's effect	**1.25%**	**1.34%**	**1.62%**	**1.45%**	**1.29%**

Note: "N" = number of available financial statements for successful companies (25 = 100%)

Source: authors, based on Eurostat (2013), Commercial Register of the Czech Republic

Table 5: Impact of the programme, Czech Republic, 2007 – 2011.

3 groups were established as Limited Liability Company. All producer groups received both EU and Slovak contribution about EUR 9.3 million (EUR 3.512 million + SKK 205.12 million). Average contribution received within 5 years was about EUR 274 ths., co-operatives were able to market higher volumes of agricultural products, therefore their average benefit exceeded by EUR 67 ths. average benefit of limited liability companies.

Lower number of beneficiaries did not result in need to cap annual payment, as it was carried out in the Czech Republic. Therefore, the average total payment to a group was almost triple to Czech beneficiaries.

Based on the definition of a successful enterprise (Banaszak, 2009), 16 (47%) production groups can be defined as successful if they are still in operation and conducted sales in 2011 and/or 2012, which is at least 5 years after group was recognized. Eleven groups are classified as not successful (32%), ten groups have started or finished their winding-up process and one group consists of only one shareholder. Seven companies (21%) cannot be evaluated as they do not publish their annual data. Successful groups, in average, received payment of EUR 294 ths.

Up to December 2013, governmental expenditures on creating one successful organisation ($\mathbf{FS_s}$) from the programme reached EUR 500.6 ths. This value is only by 7% lower than in the Czech Republic. However (as argued below), similarly high costs led to better performance of groups in Slovakia.

All 16 groups identified as successful made their financial data available in 2010 and 2011, but only 13 companies published data for the year 2012. It can be concluded, that total revenues of all considered companies exceeded reached EUR 74 million and EUR 76 million respectively in 2010 and 2011. Based on the preliminary data of 2012, there can be stated that further increase in revenues should be expected.

Companies	∑	%	Paid (EUR)	Average (EUR)
Co-operative	31	91%	8,709,753	280,960
Ltd.	3	9%	639,831	213,277
Total	**34**	**100%**	**9,349,583**	**274,988**

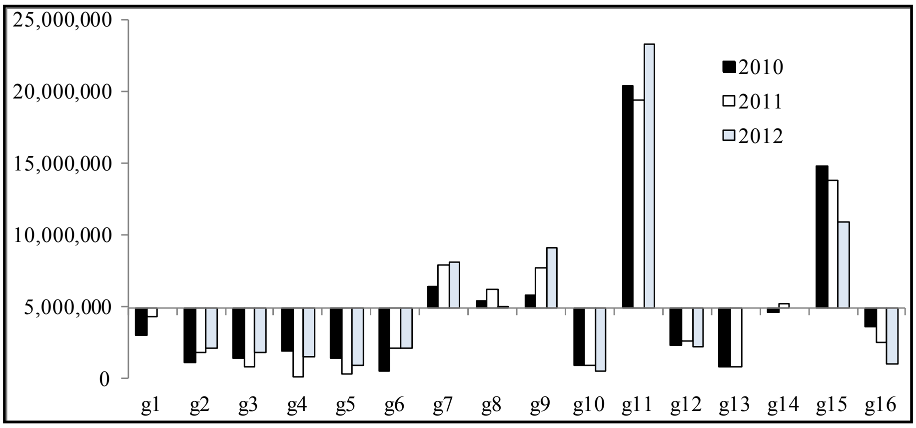
Source: Authors based on SAPA (2013)

Table 6: Funds provided to groups according to legal form, Slovakia, December 2013.

Companies	∑	%	Paid	Average
Successful	16	47%	4,705,808 EUR	294,113 EUR
Question mark	7	21%	1,338,691 EUR	191,242 EUR
Not successful	11	32%	3,305,084 EUR	300,462 EUR

Source: Authors based on SAPA (2013), Business Register of the Slovak Republic, Bisnode ČR

Table 7: Effects from the financial support on establishing producer groups in Slovakia, December 2013.



Note: horizontal axes equals to average revenue of successful companies

Source: Authors based on Business Register of the Slovak Republic, Bisnode ČR

Graph 2: Revenues of successful producer groups, Slovakia, 2010 – 2012, EUR.

	2010	2011	2012
N (%)	16 (100%)	16 (100%)	13 (81%)
Output of the agriculture industry (million EUR)	1,886.63	2,295.37	2,397.06
Revenues and Production (million EUR)	74.28	76.17	68.57
Programme's effect	**3.90%**	**3.30%**	**2.90%**

Note: "N" = number of available financial statements for successful companies (16 = 100%)

Source: authors, based on Eurostat (2013), Business Register of the Slovak Republic, Bisnode ČR

Table 8: Impact of the programme, Slovakia, 2010 – 2012.

Although an average revenue would exceed EUR 4.5 million per one group, as depicted in graph 2, only 6 groups exceed the average value presented as a horizontal axis. Group 13 (g13) is considered as the smallest group (with respect to revenues); it did not exceeded annual revenues of EUR 1 million. On the other hand, the biggest group (g11) marketed agricultural products for more than EUR 20 million. All groups exceeding the average (g7, g8, g9, g11, g14 and g15) contributed by 77% and 79% to the effect in 2010 and 2011.

Impact of the programme could be measured by share of groups' revenues to the output of the whole agricultural industry in basic prices in years 2010 – 2012. As indicated in the table 8, share of successful groups was almost 4% in 2010 and decreased to 3.3% in 2011. For 2012 not complete data were available, but 81% of groups reached share of 2.9%. It needs to be admitted that newly established producer groups that are classified as successful have higher impact on the Slovak agricultural market than groups established in the Czech Republic.

Conclusions

Both countries introduced different approach to the programme. While over 200 producer groups were supported in the Czech Republic, only 34 groups received this support in Slovakia. It is possible to track different approach also in the case of rules and conditions. As a result of the study, it can be concluded that the programme was not very much effective in the Czech Republic, as 59% (123) of supported marketing organisations are considered as not successful, while only 32% is considered as not successful in Slovakia. Very low success of Czech groups could have different reasons.

First, the financial support was significantly limited (from 2008 on) in the Czech Republic; therefore groups could have difficulties with observation of their business plans. Also vague definition of the producer group led to establishment of many two-member groups that were established only for the purpose of sourcing money from the fund with no real intention to continue with marketing activities after termination of the programme. Producers were also forced by the law to sell 100% of their production through marketing organisation. This requirement surely discouraged more producers to join marketing organisation.

On the other way, there were some aspects that supported stability of producer groups in Slovakia. First, financial support was not only conditioned by fulfilling all requirements, but different aspects were evaluated by points and then best performing groups were entitled to the support. All 34 groups could source full amount of support, it was not limited during the course of the programme. Most of producer organisations was established in the form of co-operative, that means, democratic decision making process are exploited and primary aim is not to maximize profits.

In total, over EUR 18 million were paid to the Czech groups, while EUR 9.3 million was provided to producer groups in Slovakia. Although the average payment per group was smaller in the Czech Republic, use of money was more efficient in Slovakia. First, expenditures on creating one successful organisation were lower in Slovakia. Moreover, revenues of 16 successful groups exceeded 3% of the Slovak agricultural output, while revenues of 25 successful groups have not reached 2% of the Czech agricultural output. In absolute terms, all Slovak groups outperformed Czech groups in total revenues by 26%.

In 2014, new Rural Development Programme is being discussed in both countries and it is being decided, whether support of producer groups will be included. If the programme is opened in the Czech Republic, Czech government (or paying agency) should take in consideration problems of producer groups registered between 2004 and 2006. Authors recommend:

a) to set up conditions that would give priority to larger groups (create categories according to amount of members, e.g. 2 – 5, 6 – 9, 10 – 20, 21 and more);
b) to set up conditions that would give priority to co-operatives (they provide democratic principles and are not primarily profit-driven);
c) to set up maximum amount of supported groups (according to funds allocated; ideally each group should be able to source in average between EUR 250 and 350 ths.);
d) to extend list of commodities that might be registered for joint selling;
e) to allow individual producers selling small part of their production (10 – 30%) not through the marketing organisation;
f) to introduce appropriate tool that would monitor impact of the organisations also after paying period. As currently there is no tolls to control supported groups, impact of the measure cannot be easily reached. Therefore it is recommended to introduce obligatory registration (similarly to producer organisations) and annual checks of producer group activates and their impact on the market.

If there are stated recommendations implemented into the guidelines for the next programming period in the Czech Republic, authors expect increase of farmers' concentration on the market.

Acknowledgement

The article originated as a part of the Internal Grant Agency (IGA) of the Czech University of Life Sciences Prague, Registration Number 20121077.

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