

INCREASING FARM INCOMES USING SUPPORT FOR PRODUCER GROUPS

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The farm's income from the sold production depends on three factors: sales price, farm size (or investment into the farm), and farm productivity (volume of produced production). To increase farm revenue, you would simply increase sales prices.

Market conditions do not give us a high probability that we wish we will get the desired higher price for our products for sale. The market price depends on supply and demand and does not depend on our wishes or intentions.

Investing in a farm is a difficult thing. Most of the farmers do not have unused money, they need to borrow from banks or other creditors. The economic situation is not clear and some farm owners do not see the perspectives to develop their businesses.

Thus, the third method to increase income is to achieve higher yields per unit area or higher livestock productivity. This method has been known for a long time, so it should be discussed together with a possibility of using support to create producer groups (organizations). This practice has been developed and widely applied by farmers in various regions of Poland. One of the authors of this publication contributed a lot to the establishment of producer groups (organizations) in the Greater Poland Voivodeship.

Support for a producer group shall be based on the income from the sale of its products. The income of a dairy farm depends on milk prices, herd size and cow productivity. The most realistic way is to increase farm income by increasing cow productivity. The example (Table 1) presents theoretical calculations representing a group of ten farms with an average of 75 dairy cows per farm. The data were obtained by an oral survey of Lithuanian farmers. With a smaller number of cows, support will not be as significant, effective and useful.

By increasing cow productivity we would achieve an increase in the income of one farm and a group of ten farms. Based on the results of 2024 and 2020 we could reach a 40% increase in income (number of cows and average milk sales price) with other factors unchanged.

Table 1. Theoretical growth of farm and producer group income depending on milk yield per cow

Year	Average number of cows in herd	Milk yield, t		Milk sales price, Eur / kg	Income, thous.Eur		Change of incomes compared to 2019 %
		Per cow	Per farm		1farm	Group of 10 farms	
2019	75	5,0	375	0,25	94	940	
2020	75	5,1	383	0,25	96	960	2
2021	75	5,5	413	0,25	103	1030	10
2022	75	6,0	450	0,25	113	1130	20
2023	75	6,5	488	0,25	122	1220	30
2024	75	7,0	525	0,25	131	1310	40
Total 2020-2024 year	X	30,1	2258	X	564	5640	
Average per year	75	6,0	452	0,25	113	1130	

Table 2. Theoretical investment planning based on certain measures

Year	Group income, thous. Eur	Part of support, %	Approximate support for producer group investments, thous. Eur				
			Total	From total amount for these measures			
				For veterinary	For genetics	For feeding	For administration
2019	940	0	X	X	X	X	X
2020	960	10	96	19	19	48	10
2021	1030	9	93	19	19	46	9
2022	1130	8	90	19	18	45	9
2023	1220	7	86	13	13	51	9
2024	1310	6	79	8	12	51	8
Total 2020-2024 year	5640	X	443	76	80	242	44
Average per year	1130	X	89	15	16	48	9
On average per farm, Eur			9	2	1	5	1
Structure of support use, %			100	17	18	55	10

The rules of support to producer groups (organizations) provide that up to 500 thousand Eur for investment may be granted to a producer group within 5 years. It is calculated that the amount of sales products decreases from 10 to 6 percent each year. (see Table 2). The producer group may invest in measures related to the implementation of a business plan, as well as purchase services and / or pay salaries. Support rules.

How to achieve higher productivity per cow

It is necessary to remember the classic methods: to take care of animal health (use various veterinary measures), to improve the genetics of the herd (for example, to choose more productive breeds) and to take care of good animal diets (for example, balanced feeding technologies). Each farm can do it on its own, but the greatest success could be achieved by working in a group. The use of the various measures mentioned here is the most useful when the group concludes contracts with veterinary, genetic and feeding specialists or companies in these fields. They would assess the condition of all farm herds and be able to submit improvement plans and supervise the implementation of those plans, follow changes, and advise farm owners. Higher price discounts could be negotiated when purchasing services, miscellaneous feeds and nutritional supplements.

Benefits for farmers

Under this support model, farmers would not invest in "solid" production or farm management tools (e.g. refrigeration equipment, dairies and other types of machinery). They would apply other operational tactics. The producer group would buy advisory services, veterinary, genetic improvement measures, valuable (balanced) feeds and additives. In this way, the used support by producer groups (organizations) would be useful for several reasons:

- increasing of farm incomes;
- animal welfare requirements are met (partly by adapting to halting global warming)
- this would strengthen livestock herds;
- all applied measures are implemented from the support or only with a partial contribution of farmers themselves ;
- farmers would learn to work in a group and see perspectives for their further activities;
- the state income from value added tax would increase due to the increased income from the sale of products.

The same support model can be applied to livestock for meat, pigs and other livestock, as well as in organic crop production, horticulture and greenhouse farms. Instead of veterinary, genetic and feeding measures, it would be appropriate to use plant protection, adaptation of new and reliable varieties and precision farming.

Producer group - a legal entity registered in the Register of Legal Entities not earlier than on 1 January 2014 and consists of at least 10 participants (physical and / or legal persons) whose participants or members are members engaged in agricultural activities, and if the participants are agricultural cooperatives (cooperatives), the products purchased by them from members and goods sold to members and the value of the services provided must exceed 50% the value of all products purchased by the cooperative (cooperative) and all goods sold and services provided. (Order No. 3D-168 of the Minister of Agriculture "Establishment of producer groups and organizations" approval of the rules" hereinafter referred to as the Support Rules.

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