

The impacts of Producer Organisations in rural areas

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Introductory remarks

- 👤 Sustainable development: Three dimensions (economic, environmental, social) with very strong inter-relationships.
- 👤 In an era of rapid change and rising exposure to risks, inclusiveness is a key factor in sustainable development.
- 👤 Objective: Sustainable/inclusive value chains - sustainable/inclusive local economies.
- 👤 POs: Aggregators which constitute an “enabling” factor and potentially induce attainment of all three sustainability dimensions at both the micro and macro level.
- 👤 Perhaps, need to especially target smaller and marginal actors (farms, etc.) facing difficulties in economic and environmental performance, and (indirectly) local economies facing difficulties (or/and decline)
- 👤 Important issues to have in mind:
 - 👤 factors which can facilitate better economic/environmental/social performance of POs
 - 👤 How can policy affect these factors? How policy can influence PO’s organisational structures and performance, so that they become able to utilize this “enabling” factor?

Economic impacts

- PO membership improves farm performance (JRC, 2018). Farm members of POs increase gross value added, farm profits, farm employment and labour productivity compared with similar farms that are not members of POs (competitive yardstick effect)
- POs supported by CAP record employment increases (JRC, 2018) and technical efficiency gains (Bartova and Fandel, 2020)
- POs contribute to higher share of their members in food chain value-added generation (EC, 2019), the development of new products and introduction of new models of production (GFRAS, 2015).
- PO services: value-adding activities that contribute towards greater efficiency of the relevant agricultural production system, often overcoming, situations of underinvestment observed at the level of individual farms. This is especially important for smaller and medium-sized farms (World Bank, 2019; 2020; 2021)
- PO membership facilitates investments and (often) the adoption of innovative practices (JRC, 2016)
- Contribution to improving the economic situation of rural communities (EC, 2019)
- Notable multiplier effects (local sourcing; building of inter-relationships)
- Good tool vs market failures: economic welfare gains (JRC, 2018)

Social impacts

- 👥 Gains in bonding capital (close social relationships) and bridging capital (normal business relationships) (Ollila et al., 2011)
- 👥 POs contribute to alleviating poverty and professionalise and empower farmers (World Bank, 2012; JRC, 2016; Kujur, 2019), including women (but not always; Mwambi, 2021)
- 👥 Gains in capacity-building for PO members; synergies between existing networks which facilitate exchanges of knowledge and experience (GFRAS, 2015)
- 👥 Development of leadership and decision-making skills, innovativeness, awareness for social responsibilities and children's education (Kujur, 2019)
- 👥 Gains in local empowerment and community entrepreneurship (EC, 2019; Venkatesan et al., 2020)
- 👥 PO promote participatory processes (internal and external; JRC, 2016)
- 👥 POs enable interaction and create synergies between existing networks in order to facilitate exchanges of knowledge and experience; they contribute to building local collective capacities
- 👥 POs build social capital (trustworthiness, networks, and informal/formal rules; Storbakk, 2013)
- 👥 Promotion of rural areas identity (EC, 2019)
- 👥 Better communication improves resilience during crises (EC, 2019; ICCO, 2021)

Some caveats

- 👤 Very often, positive impacts are very context-specific.
- 👤 PO members performance vary according to: farm economic size; main sector; farm and farmer specialization; farm location; farmer education and gender; long- or shorter-term membership status.
- 👤 And (of course) on the basis of PO activities, management and organizational structures (World Bank, 2008; 2012):
 - 👤 Weak capacities (shortage of technical and communication skills; bond to national/local interests)
 - 👤 Managerial inefficiencies; difficulties to develop capacity (especially for high-value chains); scale inefficiencies
 - 👤 Heterogeneous membership
 - 👤 Conflicts between efficiency and equity
 - 👤 Unfavourable external environment (lack of an enabling legal, regulatory and policy environment)
- 👤 In general, quite often, benefits do not accrue to more marginal segments of the chain.
- 👤 Governments should **empower** POs; emphasize on capacity-strengthening (technical training, management/organizational training); invest in social capital; and facilitate greater autonomy.
- 👤 Policy should: take the socio-economic and institutional contexts into account; facilitate the provision of demand-driven services.

Thank you for your attention

DISCUSSION GROUP 2

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