

ANALYSIS OF TENDENCIES IN AGRIBUSINESS NETWORKING COOPETITION IN POLAND AND IN THE PARTNER COUNTRIES

ANALIZA TENDENCJI W KOOPETYCJI ORGANIZACJI SIECIOWYCH AGROBIZNESU W POLSCE I W KRAJACH PARTNERSKICH

Waldemar Lech BOJAR¹, Ludosław DRELICHOWSKI²

¹University of Technology and Life Sciences in Bydgoszcz (UTP), The Management Engineering Department, Al. Prof. Kaliskiego 7, 85-796 Bydgoszcz, Poland, Tel./fax: +4852-3408192, Tel.+4852-3408180, email: waldemar.bojar@utp.edu.pl

²University of Technology and Life Sciences in Bydgoszcz (UTP), Department of Computing in Management, Al. Prof. Kaliskiego 7 85-796 Bydgoszcz, Poland, Tel./fax: +4852-3408192, Tel.+4852-3408180, e-mail: Lu.drel@utp.edu.pl

Manuscript received: MJESec DAN, 2008; Reviewed: MJESec DAN, 2008; Accepted for publication: MJESec DAN, 2008

ABSTRACT

In the paper following the case of Spain, Greece, Bulgaria, Czech Republic, Lithuania and Poland development tendencies of SME agri-food networking organizations in the light of coopetition were presented. Supporting development of those organizations using the EU funds is to ensure sustainable development of rural areas and it is attempted to defy domination of huge food processing and distributing corporations through integration and strengthening market power of agricultural producers. It results from the analysis that important role in new the EU member countries are played by endogenous factors as institutional undergrowth and low social capital level, what deteriorates the development of SME networks in those countries. Experience of Andalusia region in Spain benchmarked to organizations in new the EU member countries can give desired effects in the scope of improvement of co-operation with public sector, product marketing and promotion and also in facing expectations of consumers for safe and healthy food in international markets.

Keywords: agri-food sector, SMEs, networking organizations, coopetition, benchmarking

ABSTRAKT

W pracy na przykładzie Hiszpanii, Grecji, Bułgarii, Czech, Litwy i Polski przedstawiono tendencje rozwoju organizacji sieciowych MŚP sektora rolno-żywnościowego w świetle koopetycji. Wspieranie rozwoju tych organizacji z wykorzystaniem środków unijnych ma na celu zachowanie zrównoważonego rozwoju obszarów wiejskich i jest próbą przeciwstawienia się dominacji wielkich korporacji przetwórczo-dystrybucyjnych poprzez integrację i wzmocnienie siły rynkowej producentów rolnych. Z analizy wynika, że ważną rolę w ww. nowych krajach Unii Europejskiej odgrywają czynniki endogeniczne, jak niedorozwój instytucjonalny i niski poziom kapitału społecznego, co utrudnia rozwój sieci w tych krajach. Doświadczenia regionu Andaluzji w Hiszpanii przeszczepione poprzez benchmarking do organizacji w nowych krajach UE mogą dać pożądane rezultaty w zakresie polepszenia współpracy z sektorem publicznym, marketingu i promocji produktów oraz sprostania oczekiwaniom konsumentów zdrowej i bezpiecznej żywności na rynku międzynarodowym.

Słowa kluczowe: sektor rolno-żywnościowy, MŚP, organizacje sieciowe, koopetycja, benchmarking

DETAILED ABSTRACT (IN POLISH)

W pracy na podstawie literatury przedmiotu i publikacji opracowanych w ramach projektu PR 6 TOWARDS zatytułowanego: "Sieci zmieniające orientację z producenta na rynek (klienta) w sektorze rolno-żywnościowym małych i średnich firm" (w ramach umowy nr 518702) na przykładzie Hiszpanii, Grecji, Bułgarii, Czech, Litwy i Polski przedstawiono tendencje rozwoju organizacji sieciowych MŚP sektora rolno-żywnościowego w świetle kooperacji rozumianej jako współpracę przy zachowaniu wzajemnego konkurowania członków organizacji sieciowych. Wspieranie rozwoju tych organizacji z wykorzystaniem środków unijnych ma na celu zachowanie zrównoważonego rozwoju obszarów wiejskich i jest próbą przeciwstawienia się dominacji wielkich korporacji przetwórczo-dystrybucyjnych poprzez integrację i wzmocnienie siły rynkowej producentów rolnych. Z analizy wynika, że ważną rolę w badanych, nowych krajach Unii Europejskiej odgrywają czynniki endogeniczne wynikające z uwarunkowań historycznych związanych z minionym systemem gospodarki centralnie planowanej i uzależnieniem organizacji producentów rolnych od państwa, a także z niedorozwojem instytucjonalnym i relatywnie niskim poziomem kapitału społecznego, co utrudnia rozwój sieci w tych krajach. Trendy występujące w gospodarce globalnej, specyficzne cechy danego kraju i regionu oraz zmiany w bliższym i dalszym otoczeniu przedsiębiorstw związane z Gospodarką Opartą na Wiedzy i rewolucją informacyjną mają także znaczący wpływ na stan i perspektywy rozwoju organizacji, związków i stowarzyszeń przedsiębiorców rolnych. Niedostateczny jest także stan wiedzy i umiejętności przedstawicieli badanych organizacji, w jaki sposób integrować swoich członków wobec jasno określonych strategii. Doświadczenia regionu Andaluzji w Hiszpanii w zakresie tzw. nowego asocjacionizmu pozwalają mieć nadzieję, że producenci rolni odpowiednio zmotywowani i przekonani mogą podejmować wraz z instytucjami publicznymi i samorządowymi odpowiedzialnymi odpowiednio za rozwój regionalny i branżowy trafne decyzje strategiczne, a następnie je konsekwentnie realizować. Przeszczepione z innych krajów, regionów, organizacji, a nawet branż rozwiązania w postaci dobrych praktyk poprzez benchmarking do innych organizacji w nowych krajach UE, (a także w starych), mogą dać pożądane rezultaty w zakresie polepszenia współpracy z sektorem publicznym, marketingu i promocji produktów oraz konkurencyjności przedsiębiorstw członkowskich. W ten sposób producenci rolni mogą sprostać rosnącym oczekiwaniom konsumentów zdrowej i bezpiecznej

żywności na rynku międzynarodowym i pogodzić interesy własnych przedsiębiorstw z interesami grupowymi organizacji, w których są zrzeszeni. Wymiana wiedzy i doświadczeń realizowana za pośrednictwem witryny internetowej projektu TOWARDS poprzez zamieszczanie tam ulotek, artykułów, publikacji naukowych, prezentacji i innych informacji może przyspieszyć i utrwalić stopień uświadomienia przedstawicieli sieci agro-żywnościowych MŚP o konieczności współpracy wzajemnej w świetle nieodzowności uzyskania siły rynkowej gwarantującej znaczącą pozycję w łańcuchu dostaw żywności determinującym łańcuch wartości, który decyduje o sukcesie wszystkich ogniw tego łańcucha.

INTRODUCTION

Farmer co-operation is known as long as old is farming. First neighbour help was extremely developed to exchange work, materials, tools and machinery. Together with development of farming technology and organization, more advanced co-operation has been established. One can stress here great meanings of co-operatives which let adjust frittered farms in Europe to face competition of market economy and started between 19th and 20th century. Up to now modern, adjusted to contemporary challenges agricultural cooperatives play key role in French agribusiness while the UK, Dutch, Belgian and Danish farmers are more attached to food delivery chain over market mechanisms what example can be highly developed contracting services system. Due to increasing economic (costs) and organizational (mechanisation – automation) significance of farm equipment, farm machinery usage becomes more and more important. This co-operation has different forms in different countries, e.g. in Germany and in Poland where the so called machinery circles have played very important functions historically [1, 4].

Together with industrialization of agriculture and its surroundings the dependency of farm on other branches of economy has increased. It concerned both the area of farming supplying with means production and selling its products as well. Together with concentration of business units activities operating in food processing and distribution areas disproportions between food processors and traders market power and farm power have grown drastically.

Long term effect of such phenomenon can be deterioration of social structure of rural areas and too intensive farming methods ensuring not always enough safe and tasty food.

Idea of sustainable development preferred in the EU policy have become then menaced.

The solution was the only one – strengthen the power of farmers over their co-operation understood mainly in horizontal sense but also considering their impact on vertical structures.

Especially a problem of polarized agri-business structures, seeing in a view of disproportion of power of primary and secondary sectors, occurred in southern countries of the EU like Spain, Greece and Italy and also in new the EU member countries like Poland, Czech Republic, Lithuania, Bulgaria, Romania, where agrarian structure was frittered and/or destroyed and public institutions supporting underdeveloped farmers. For this reason especially support should be given to marketing, promotion, training and other forms of facilities concerning information exchange because poorly organized farms have not enough funds and knowledge to update such areas of activities by themselves. So, the EU Commission decided to devote funds to agri-food SME networks development. One can assume that older EU member countries, having in this area more experiences, can serve younger members especially in area of harmonization of co-operation between SME networks and other public and non-public organizations responsible for state and regional development. Such approach to set problem is justified because the only networking organizations having enough know-how can compete in aggressive markets and satisfy food consumers aspirations.

Because of currently dominated Knowledge-based Economy in the global world a very important factor for every human activity, also for SME networks development, is now effective and efficient information exchange.

This problem in agribusiness corporations can be seen in a view of changes running in manufacturing technologies which press changes in information streams [10, 11].

Those objectively occurring development processes are merged with highly dynamic changes in areas of both IT possibilities and organization of enterprise management as well [9]. It concerns not only formal structures of agribusiness corporations but also not so formalized chain of values where ISO, HACCP and other standards has to be satisfied independently from formal liaisons of food delivery chain participants (also farmers).

The defined changes create new possibilities in the area of data exchange between manufacturers and receivers towards recording of orders and confirmations of deliveries realization which, in majority, are made in an on-line system.

Interactive system of information exchange is a premise for implementation of solutions concerning consolidation of production and distribution which is set in the frame of food processing branches or within integrators of

manufacturing and trade activity. The appropriate case is Wielkopolska Agri-Horticultural Wholesale Market Plc in Poznań - First Modern Wholesale Market In Poland [12]). Kinder in his paper [17] presents a wide scope of problems concerning building modern agri-food SME co-operation networks including information exchange issues. The elaborations cited here are elements of publicity accepted for realization of PR 6 TOWARDS Project titled: "Migrating networks from a producer TOWARDS a market orientation within the agri-food sector" – FP6-2004-FOOD-3-C, Contract no.: 518702 which is realized by the UTP together with five partner the EU countries.

A definition of migrating networks set up within TOWARDS project can be inter alia interpreted as a process of evolution of organizational forms and logistic solutions which require implementation of information and communication solutions focused on the improvement of customer attendance. It should consider all the chain of values decided about success of all their objects.

Effective and efficient food delivery chain functioning is going to include all its elements with efficient controlling of raw material production and food processing what can be clearly expressed in a phrase: „from farm to fork” and it cannot be realized without mediation of efficient information and communication networks.

The above-mentioned premises cause that the problem for TOWARDS project partner countries being new the EU member ones (Bulgaria, Czech Republic, Lithuania and Poland) is the variability of business objects and organizational business structures and also distortions resulted in unadjusted social and ownership structures to market economy mechanisms. Such circumstances essentially deteriorate a process of migrating networks building. One of important circumstances among them is a necessity of a participation in such process of stabilizing leaders guaranteeing networks creation. Ideas described above and the methods were applied not only in strictly agribusiness areas but also for elaboration of concept useful for implementation of migrating networks to support supervision of municipal enterprises functioning quality through self-governmental authorities [13]. This proved and confirmed that the prepared approach is universal and it can be applied to different problems close to networking organization problems.

Below there were described some general and specific tendencies in agribusiness networking cooperation in Poland and in the partner countries on the basis of primary results obtained in the framework of TOWARDS project to approach the answer how to reconcile co-operation with competition to satisfy both individual and networking interests as well.

2. Restructuring problems of agri-food sector at the regional level in Poland

After transformation process starting in 1990 and the transition from central planning economy to market economy, a process of intensive selection and restructuring of agri-food business units (even more restrictive than in other branches) took place [20]. They were caused by high efficiency requirements forced by competitive enterprises in open foreign markets and also through changes in a model of food consumption characterised by diversification of milk, vegetable and fruit goods [16]. They have often replaced traditional home products. It resulted in economical and development effects what can be illustrated very well by the case of Kujawy & Pomorze Province which occupied 2 to 4 places in rank of domestic provinces under agri-food raw material domestic output. A size of output of food processing industry in this province before 1990 was proportional to its raw material potential while it was successively deteriorated in the following years.

The beginning of above-mentioned process occurred in fruit and vegetable processing branch including big former state enterprises located in Bydgoszcz, Fordon, Łasin or in Unisław.

In the meat sector slaughterhouses having long traditions (reaching times before the World War Two) like those located in Toruń or Inowrocław were liquidated while similarly big strong slaughterhouse located in Bydgoszcz is now near bankruptcy though obtaining essential financial means for the sold land.

Numerous regional co-operative dairies were liquidated in a process of selection which led to elimination of not efficient business organizations. Mentioned co-operative dairies having natural strong base of consumers had to consolidate with such big dairying corporations like MLEKPOL located in Grajewo and MLEKOWITA located in Maków Mazowiecki (outside of the region).

Next case showing not desired for the region processes is a strong sweets production enterprise "JUTRZENKA" S.A. whose management centre was removed from Bydgoszcz to Kalisz.

The above-mentioned fragmentary cases show that there is a real threat that from well developed agri-food branch only the least effective raw material production will remain in the Kujawy & Pomorze region if unprofitable processes of restructuring do not stop.

Among the reason one can mention the lack of local strategy supporting agri-food business units at regional level what blame voivodeship and self governmental authorities performing duties through successive terms in office. A next important reason is a lack of high qualified

managers in the Management boards of mentioned enterprises and also unfavourable impact of trade unions for the strategic decisions. One can comment that very good managers like those being in MLEKPOL or MLEKOWITA represent companies that developed throughout incorporation of companies, including those from Kujawy & Pomorze Region. Of course, restructuring process of regional agri-business entities automatically causes detrimental changes in social and economic situation of the region.

Running currently global process of consolidation and concentration of production and distribution can cause two phenomena at a regional level. On the one hand, it can lead to recovery of situation of former state big business entities like KZPOW Włocławek which was took over by AGROS NOVA Ltd new private big company. This has to lead to concentration and growth in size and scale of activity of business units. On the other hand, in the last years in Pomorze & Kujawy Province many new smaller enterprises were created. It resulted in eleven enterprises involved in freezing and processing fruit and vegetables, about ten milk factories, one manufacturing drinks made of fruit, four feeding stuff factories, six producing cocoa, chocolate and sweet stuffs, four dealing with manufacturing spices. In total there are about one hundred agri-food SMEs in the region. So, a polarization process in food processing regional industry is proven. Characterizing this process we have at a one pole big powerful enterprises and at opposite pole – smaller business units. The question is what business structure is the most optimal for regional development in a long-term perspective?

For sure, strong SME agri-food networks are desired for regional development because they create new workplaces. Even more, increasing need of food consumers for niche products let hope that in the nearest future traditional manufacturing technologies will come back and then SME can obtain necessary competitive advantages.

Hence, there is a chance for smaller private food processing enterprises to develop. A good and optimistic case is GZELA slaughterhouse located in Osie Świecie Community which has developed very rapidly and can be even competitor for DUDA S.A. slaughterhouse being exchange concern and integrator of Polish enterprises of meat sector like mentioned above big dairying firms in dairy sector.

2.1. Organizational circumstances of migration networks building in Polish agribusiness

Building migration information networks in logistically associated agribusiness organizations has long term traditions which excellent case is mentioned above

Wielkopolska Agri-Horticultural Wholesale Market Plc in Poznań - The First Modern Wholesale Market In Poland (WGRO S.A.). Its system of liaisons between manufacturers of raw material and receivers has functioned very effectively already at half of 90s. Developmental passing owned by WGRO S.A. did not protect this enterprise from crisis between 2003 and 2006. Among the reasons one can mention dynamic changes occurring in business surroundings.

The scope of changes occurring in a scale of the only one Province shown in charter 2 makes us aware of how difficult is creating networks coopetition including information exchange models in case of when essential part of business partners are eliminated putting their deliverers for delays or canceling payments what causes economic disadvantages.

One can see that leaders of restructuring changes being close to consolidation activities in the frame of co-operative regulations have to carefully make very serious changes which can be embraced with protection clauses in first years of their functioning.

It can mean that saving status quo including realistic scope of changes make hardly possible to introduce target information and communication networking solutions. Diagnosis of management organization solutions is usually not possible because of protection of organizational information obligated in such enterprises.

A third element deteriorating identification of information and communication networking solutions includes trade networks which have their own advanced IT solutions although they are oriented for need of handling their own shops but do not consider information flow within food delivery chain and/or value chains – the most important for customers.

Obligatory condition of co-operation of trade networks with local manufacturers producing regional goods is often monitored by self governments and it is precondition to get from local authorities agreement for attractive location of given trade object.

2.2. Diagnosis on SME agri-food migration networks development in Poland

2.2.1. Methodical assumptions

Methodical assumptions of expected surveys carried out in the frame of PR6 TOWARDS project have focused on analysis of regional structures of migration SME networks accepted in one-side limited resources for leading wider research and in other side assuming that leading regional divisions of researched networks in Kujawy & Pomorze Province (especially in area of animal breeding) can give enough representative and clear picture showing situation of whole networks at a domestic level. It was even more

justified that Kujawy & Pomorze Region belong to those provinces which are still strong about agri-business sector. Definition and elaboration of migration toolkit required to separate three different phases of research. The first one was connected with analysis and mapping. There were useful traditional techniques of analysis like questionnaires, interviews, meetings with representatives of farmers and managing persons, taking part in business meetings on current and long term problems of networks. Its task was awareness of the network managers where their business is. The second phase of research and adequate tools was planning and selection of strategic direction of changes to know what will be goal of the network and where and when it should be in precisely defined future. Preliminary findings showed that Association of Polish Pig Producers and Breeders (PZPiHTCh) and Polish Federation of Cattle Breeders and Milk Producers (PFHBiPM) are still too closed for contemporary market challenges especially in the area of productivity, marketing, knowledge exchange and also in long term and structuralised co-operation. The first phase of migration process and relevant tools was to show how to reach set up goals using own recourses and support from governmental, public and non-public organisations. Feed back analysis let separate some most useful migration toolkits such as checklists, semi-structured interview, network analysis, quantitative analysis, benchmarking, appropriate strategy models.

2.2.2. Regional characteristics

To understand current situation and future goals and forms of activities of research networks it was necessary to describe the region where surveyed networks have to act. The agriculture of Kujawy & Pomorze Region has an essential natural, economical and social potential measured with the so called competitiveness of regional potential of agriculture in Poland [7], which places the region on the second place. It is determined by relatively high share of farm land (64.4 per cent compared to 59.0 per cent on average in Poland), high soil quality and well developed infrastructure of rural areas and also up-to-date farm equipment and used manufacturing technology [5, 3]. First of all, the region is characterised by high-quality human resources because of deep tradition of good work organisation, high ethos of work and strong family farmer liaisons. Region has a well developed food processing industry based on local primary sector output. It delivers the biggest in Poland share of rape oil output, essential share of sugar and fresh and processed fruit and vegetable products made in several modern processing plants based on orchard and vegetable specialised farms. Kujawy & Pomorze agriculture provides essential output of pork meat occupying second position in Poland and

also near 25 per cent of pig breeding material being the leader in this sector. More than 80 per cent of output and more than 80 per cent of agri-food SMEs in primary sector are family farms of average farm land about 10 hectares. In 2006 alive slaughtering beef regional output amounted to 8.49 per cent compared to the total domestic output while regional milk output is about 6.26 per cent compared to whole domestic one. Next, total regional volume of purchased milk amounted in 2006 to 7.26 per cent compared to domestic one [22]. Those figures confirm a high potential and input of Kujawy & Pomorze region to recourses and effects in the area of milk production, cow and cattle breeding independently from unprofitable changes described in chapter 2. Interestingly, key essential meaning of agri-food sector for the region and for all country and simultaneously high efficiency of resource usage it is justified conclude that the regional agri-food SMEs are crucial business units in Poland which deliver food for domestic needs and export. So, development and strengthening of this sector has essential social and economic meanings for local societies and welfare of people in the region and in Poland.

2.2.3. Description of the networks

In total, six agri-food SME networks in Poland were selected. Three of them were qualified as innovative. One of them represent wholesale market enterprise in Poznań (WGRO S.A.) (see chapt. 2) [12]. being modern vertical network servicing lean traders and enabling them sell fruit, vegetables, milk products meat and fish according to HACCP standards and ensuring modern informative and material infrastructure. It was selected to research because WGRO SA represents network integrating food delivery chain and being an important chain also for distributing and servicing food consumers. Its activity and best practices are very important for traditional catering and gastronomy networks. Second selected agri-food SME networks represent former state big agricultural enterprises leased land and buildings from Treasury State and partly being owner of them [2]. They use the most modern farming technologies, marketing and information systems what let them face challenges resulted from concentrated and highly capitalised the EU agribusiness sector. Owners and leasers of big farms are opened for new forms of vertical and horizontal co-operation both between farmers and big agri-concerns as well. This network was selected because it is a power accelerating progress in agri-food sector in Poland and in the region what is important for migration of traditional agri-food networks. Third innovative network belong to specialised strawberry farms supplying both fruit and seedlings for domestic and international markets and

simultaneously syndicated risk over co-operation and production diversification. Among traditional selected networks one can find two ones dealing with animal breeding and production both with pigs, milking cows and cattle as well. Those networks were selected because of their successes in a view of Poland and essential economical and social meanings both for the region and whole country as well. Dairying farmers, cattle farmers, pig breeders and producers are associated first of all for improving quality of output (meat, milk, breeding material certifying) [4]. They deliver raw material for powerful Polish meat and meal processing sector reaching enormously big export successes last years. Their potential to reach better qualitative and quantitative production and breeding results is very high but it is still limited because of their separation and frittering. The only solution is better management and usage of best practices coming e.g. from big agricultural enterprises. Explicitly defined strategy and migration plan could use their human, capital, material and financial resources in the most effective way. Such consolidation is necessary to be competitive in food markets more and more dominated by powerful distribution and processing food corporations. Analyses made can meet that rational directions of mentioned networks changes should consider specific internal and heritage circumstances except of objective surroundings conditions. Third traditional selected network was gastronomy and catering services network selected as traditional one, because of its natural limited regional market. On the other side, its important meanings for food consumers in local markets and sector of dynamically developed modern services where it caused that it was selected to research. Potential to migrate to the most modern services let qualify its potential as opened for migration towards customer and international markets but not necessarily in geographical meaning but rather in sectorial and branch sense.

Last UTP's efforts focused mainly on the traditional networks selected to apply the migration toolkit and develop related migration plans. Also, a first endeavor was made to identify main migration areas, strategic objectives and actions in all the Polish networks involved (both innovative and traditional) in order to smooth the progress of the exchange of the best practices already identified and make appropriate benchmarking.

2.2.4. Implementation of migration exercises

The UTP identified 3 traditional agri-food networks in which corresponding migration plans were developed (see 3rd TOWARDS Newsletter - <http://www.towards-project.eu/>). Three of the traditional networks – Polish Association of Breeders and Producers of Pigs (PZHiPTCH), Polish Federation of Cattle Breeders and

Milk Producers (PFHBiPM) have their divisions in Kujawy & Pomorze Region although those organizations include the whole country. Gastronomy and Catering Services Network is located at Kujawy & Pomorze area. The first two networks are activated in the field of breeding and production of pigs and cattle (including dairy cows) and represent a first element a food delivery chain which determines raw material for food processing. The third one mainly delivers meals to consumers, so it is a last element of food delivery chain. Although operating in a rather traditional way, all three networks showed exceptionally open mind and collaborative force towards "TOWARDS" approach, especially after having realized that progress is linked with the adoption of innovative forms of coopetition let effectively combine simultaneously co-operation and competition. In this direction, the use of the migration toolkit significantly supports the networks' analysis, assessment of their competences, and readiness to assimilate new knowledge, skills and culture, allowing the planning of a cycle of actions towards their market re-positioning and harmonization with consumers' aspirations for higher quality of agri-food products. One can observe all important features of surveyed networks and evaluation made on the basis of the application of migration toolkit and also crucial assumptions of prepared migration plans and their implementations. Among important conclusions one can underline a crucial role of endogenous factors determining current state and future changes of researched networks, what is especially important for strategies plans of networks associated Polish pig and cattle breeders. All strategies should include spreading of knowledge and updating skills concerning both technological, organizational and economical issues and marketing and promotion areas as well. Among described three strategies one can notice a need to make lobbying for profitable legal regulations supporting domestic breeders and businessmen dealing with catering and gastronomy services [6]. In the case of breeders deep changes towards growth in competitiveness are necessary because of decreasing public subsidies which will be completely stopped in 2013. So, both economic situation and comparative advantages of every domestic breeders should be enough high and their common power based on their network so big to face all challenges resulted in circumstances of Single Market and globalization. To do it there is necessary to define precisely strategies and realize them rigorously. Among other crucial conclusions concerning chances concerning SME agri-food migration networks development in Poland one can underline that migration processes of selected agri-food networks are necessary because of internal contradictions of market economy which itself

is not able to guarantee all interests both of agri-food networks members and consumers of food as well. It resulted in natural economical trend to concentrate processes of production and distribution. It does not has always to lead to better satisfactions of food consumers. Among the reasons one can mention too intensive farming methods decreasing in fact a quality of food raw material (plant and animal origination). In succession, exceeded concentration eliminates farms and food processing enterprises (e.g. slaughtering plants, dairies) which can submit high quality traditional food of lower consistency of not desired ingredients. Hence, a one of a chance to ensure a sustainable development for smaller, not so industrialized farms and food processing firms is an elaboration and an implementation appropriate migration plans being able to strengthen their associations so much to sustain and compete in aggressive market environment dominated by big food corporations. If Polish citizens are richer, then their awareness about high value of traditional niche food products coming from ecological agriculture increases essentially. So, all activities of farm, food processing, trading and gastronomy enterprises should go towards sustainability of those who are able to save traditional, more extensive methods of manufacturing and simultaneously keep their economical efficiency. To do it, strong association networks are necessary. A power of those networks has to be increased throughout the transfer of knowledge and skills between other networks located in the country, regions and in all the EU countries. Such initiatives like regional conferences, publicity of papers, articles, presentations, newsletters, leaflets within the project TOWARDS Website are very useful to get know how in this area. Exchanging of information on best practices and their transferability can also contribute to accelerate adaptation processes in selected traditional networks. In opinion of TOWARDS PROJECT experts there are still needed some research works necessary to improve methods of measurement of effects of migration changes to monitor them and evaluate precisely. Those methods should consider some objective phenomena and processes valid for every areas of social sciences and also specific features of networking organizations where they should be applied in appropriate way. Although processes of transition from awareness to concrete implemented activities in practice usually run very slowly, beneficiaries and experts were agreed that assumed effects of the project TOWARDS help researched networks to restructure towards better satisfying customers aspirations and opening to international markets. In opinion of the project performers a mentality of Polish society and especially a mentality of rural population belong to strong determinants slowing down tempo of changes. It is especially a low

level of mutual trust of Poles to each other determining a low level of social capital. Optimistic phenomenon is a high level of intellectual capital of Polish society. Hence, the project outcomes can strengthen high intellectual potential of people and soften not desired effects of poor social capital. Supporting majority of domestic breeding farms can solve not only a problem of delivering healthy and tasty food. This also can help to solve a problem of future development of rural areas in Poland where more than one third of all society still lives. Better economical conditions of such farms can improve economic situation of rural population in Poland and this way ensure work places and welfare for majority of people still living in the country. This way the idea of sustainable development supported by the EU can be used to practice in Poland.

3. Analysis of development state of SME agri-food migration networks in a view of research made in the EU New Member Countries

This study on agri-food migration networks in Bulgaria shows two different cases: positive and less positive one. The first case concerns herbs and mushrooms representing emerging markets in the EU and in the world but traditional wine industry can meet difficulties also resulted in distortions in foreign wine markets which have appeared last years.

Bulgaria is a country endowed with a great variety of herbs and wild mushrooms. The wild mushrooms quantity collected for commercial reasons is between 5 000 and 8 000 tons depending on the climate conditions in a particular year. Most of the production is exported. The soil and climatic conditions are a prerequisite for high quality of medical plants. The number of collected and exported herbs is around 300. They are exported to 60 countries.

The Bulgarian Association of Herb and Mushrooms Processors (BAHMP) is the major promoter of networking in the sector. Its members are 16 companies that lead the processing and export of herbs and wild mushrooms in the country. The changing internal and external conditions for the network operations are prerequisites for the migration of the network from traditional to innovative. The main result of the migration will be stronger network built on trust and cooperation. The implementation strategy has two main goals: strengthening the network and support to the growth of the sector production and export. The tasks will intensify the knowledge flows in the network, the vertical integration, the identification of common needs what will improve the network interaction with the environmental forces. The achievement of goals requires managerial personnel and increase of funding sources from membership, training fees and project development.

Processing of wild mushrooms and herbs is a growing sector in Bulgaria. It is an export oriented sector with opportunities for industrialization of the production of some species of herbs and medical plants. The demand of high quality products from the sector is increasing both in the internal EU market and in the global markets. The sector provides job opportunities for people without education and with very low income. Its development can provide future job opportunities for them instead of being excluded from the society as well as alternative agricultural production for specific geographic regions in Bulgaria.

The migration of the Bulgarian Association of Herb and Mushrooms Processors from a traditional to innovative is based mainly on the development and strengthening of the network. The network faces both internal and external challenges. Among the external challenges one can notice the lack of clear government sectorial policy. The internal challenges are the domination of competition over cooperation among small and medium-sized producers and exporters and the dependence of their commerce on individuals and small collecting companies with low skills and unstable business. The same negative phenomenon one can also observe in Poland. Building trust and functional integration, expansion of common actions are a necessity for the network and will help it to broaden the membership and to have greater impact on business environment changes that will favour the sector growth (see 3rd TOWARDS Newsletter - <http://www.towards-project.eu/>).

The second subject of the research in Bulgaria was wine industry and its networking co-operation. It shows the significance of network analysis to understanding how the Bulgarian wine network has evolved over the last eighteen years. In some instances disjunctures are explicable by obvious events in business surroundings (Russian crisis being main importer of wine, bear domination as substitute of wine etc.). Other instances, using local grapes to successfully produce boutique wines are more complex and relate to opportunities and barriers both inside and outside of Bulgaria. Little has been published on the strategy of the Bulgarian wine network and the aim was to show that an institutional approach has benefits for business and policy strategy makers. An essential conclusion is that shifting from a loose network towards a network capable of advocacy, service delivery and stimulating new forms of partnering, is an urgent need. In particular, if the boutique wines are to move from niche product to mainstream the barriers to volume at quality require addressing. These include land, capital, access to professionals, compliance with standards, product quality and price in the home market.

Among current network challenges one can mention purpose and goals that the capability of the network to migrate into a tighter cluster; what are the common interests of the traditional and the innovative companies to network; can the enologist's boutique strategy be successful.

In the areas of control, ownership and governance a development of vertical integration and professional competences in management are necessary. Improvement of networking as a tool to overcome innovation barriers in viticulture becomes now necessity.

An animator of the network should be local or foreign companies and the Association of the Producers and Merchants of Wines and Spirits. The opportunity to increase high-quality wine sales in the domestic market has to be explored. There is an opportunity to extend the network through EU markets as well as Russian, Chinese and US ones. The diffusion of HACCP and the rising quality standards of boutique wines can contribute to the network internationalization. Raising awareness of the need to collaborate in order to achieve common goals remains a major issue for the shifting from a loose network to a network oriented to customer and international market and based on its members coopetition. The contacts with the traditional and innovative networks revealed the necessity of more knowledge on networking and its benefits. Special attention was given to LANDALUZ – as an example of export promotion of agri-food products under unique quality label. The Bulgarian agri-food networks have keen interest in the various Greek agri-food networks which functioning as networks provides more opportunities for export growth. Representatives of Bulgarian science and practice including the Union of Fruits and Vegetable Producers concluded during last big conference that among valid problems of whole agri-food sector in Bulgaria is a lack of clear strategy for the agriculture and forestry development, the necessity to establish associations of the agricultural growers and breeders, training development of stable vertical contacts, improvement of horizontal networking in the sectors, sustainable and clear governmental support of the sector, improvement of the knowledge and the application of the EU CAP [19].

Historical circumstances shape a current situation and perspectives of development of agribusiness in Czech Republic. One can stress the structure of the businessmen in agriculture which determines a role and meanings of agri-food networks. Activities of horizontal agri-food networks are mainly focuses on knowledge and practices exchange and production, marketing and trade activities. They are realised individually by entrepreneurs. Taking attention the future trends it can

be expected that relatively large agricultural enterprises will start to gather into networks to create counterbalance to huge international organizations operating at Czech market. Czech Republic belongs to the industrially advanced countries both from the point of EU and worldwide view. Agriculture in the Czech Republic is perceived as an important but not the main branch of the economy. Rate of agriculture on the GDP production has a decreasing tendency and reaches approximately 2,9% and there is also registered decreasing influence of agriculture on whole employment reaching 3,2% only. Both these indicators shift the importance of agriculture to the most industrial countries of the world. There are no strong marketing boards in the Czech Republic in comparison with EU countries, not only aerially but also vertically connected (production – processing – market). Marketing organizations still do not have neither crucial nor prestige ration on the market despite they are financially supported by the Ministry of Agriculture. The size of the respective agricultural subjects (300 – 10 000 hectares) still does not create useful conditions for their development in crop production especially. There exist a lot of specialized associations (Czech poppy, Union of oil crop growers, Flax Union, Association of legumes growers, etc.), which associate enterprises on willingness base, but they operate only in areas, as follows: 1) new knowledge acquisition, consultancy, 2) lobbying for particular commodity. Trade, production and marketing remain in individual enterprises. Larger marketing boards work mainly in area of livestock production where usually perform commercial and marketing role as well. Marketing cooperative „Centrodbyt“ deals with pork and beef and sales about 100 000 tons of meat (live weigh) per year. There are about 30 marketing boards on the milk market and they trade about 60% of total produced milk. The largest organisation is „MLECOOP“, trading 30% of total milk. It can provide legal and consultancy services, too. Looking into the future it can be expected that relatively large agricultural enterprises will start to gather into networks to create counterbalance to huge international organizations operating on Czech market (Souflet, Agrofert, etc.). Besides commodity trade, these networks will build up joint storage areas presently missed by agricultural organizations, as well as manufacturing of individual commodities. Relatively better institutional situation of Czech Republic among other the new member countries illustrates a fact that after its accession to the EU, the Czech Republic filed the highest number of applications for the registration of geographical indications and designations of origin, of all new Member States. Nevertheless, improvement of SME networking organizations is still necessary, both in

horizontal and vertical integration process view as well. Business Czech units should be supported by public organizations responsible for domestic and regional development [15]. (see 3rd TOWARDS Newsletter - <http://www.towards-project.eu/>).

Lithuanian Innovation Centre (LIC) from Lithuania has completed the migration plans for 3 traditional networks identified in the previous project period: 1) Association of Lithuanian flax growers and processors: 2) National association of aquaculture and producers of fish products, 3) National association of snail growers. The first two networks are active in traditional Lithuanian sectors and the third one is operating in a young sector. All networks operate in traditional model, but showed their interest in TOWARDS' approach, as application of Migration toolkit allowed them to assess their current status, highlight competences and measure forwardness to in absorb new knowledge and innovative operation culture. This will let increase efficiency of adopting innovations and re-positioning networks and their members in the market. (see 3rd TOWARDS Newsletter - <http://www.towards-project.eu/>).

Generally, the analysis presented above shows, irrespective of specific features of each of analyzed countries and relevant networks, underdeveloped institutional structures in the new member countries occurring both inside of networking agri-food producers organizations and outside of them as well.

4. Diagnosis on SME migration networks in Spain and Greece

Agri-food SMEs in Andalucía want to see more collaboration with public R&D institutes (including staff exchanges and commercialisation), support for e-business, more marketing information and training available and further support to improve quality and environmental management systems. The SMEs see this programme as being delivered by strengthening LANDALUZ's work with SMEs, promoting an Andalucían quality brand under a regulated framework (Consejos Reguladores) and strengthening emergent networks for SME incubation and technology transfer. Whilst national Government can assist with tax concessions and major infrastructural works, many of these challenges rely upon close working between SME networks and the Regional Government using local agencies. These challenges are viewed as particularly acute with declining levels of agri-food product tariff protection and rising levels of international competition. Nevertheless from presented barriers SME's in Andalucía are definitely more supported than in new the EU member countries. Public Administration is carrying out several lines of support (both consulting and financial) in order to innovate in all economic fields,

including agri-food sector, though this could be one of the most reticent sector to innovation. The Andalusian Agency for International Promotion (EXTENDA) is a public entity of the Andalusian Government, fully dedicated to promote and support the internationalization of andalusian businesses. EXTENDA plans, designs and develops foreign promotion activities for andalusian SMEs and its products according to the Andalusian Government Policy. All these actions are annually specified in the frame of the Internationalization Plan for the Andalusian Business. It is of interest to remark the two main support actions : 1) Actions for Direct Promotion - Supporting actions to internationalization. 2)The Agriculture and Fishery Council of the Andalusian Government is fostering too regional agri-food products by regional, national and international promotion under its own quality label (Certified Quality). The Chambers of Commerce of Andalusia (individually or jointly) carry out trade missions and offer support to internationalization of Andalusian SMEs. ([17], (see 3rd TOWARDS Newsletter - <http://www.towards-project.eu/>)).

Changes in Andalucía amounting to a migration from associationism to a new associationism: a migration from internally referencing social localised networks of family firms towards more market-oriented networks capable of activity higher up the agri-food value chain [14]. The renaissance of agri-food in Andalucía, based upon new associationism illustrates the important point [8] make from their study of Finland. Models of economic development (typified by Porter) that suggest one-best-way, based upon a small state, high levels of foreign direct investment and dependency upon foreign knowledge bases, are not the only route to economic renaissance [18]. The case of new associationism in Andalucía's agri-food sector supports the argument that each region's unique heritage and market opportunities can support customised routes to success, provided they dynamically align with market needs. Fundamentally, the case illustrates the importance of Freeman's dictum: innovate or die [21].

Tessaloniki Technology Park in Greece (TTP) identified 3 traditional agri-food networks in which corresponding migration plans were developed. Two of the traditional networks – Agrotouristic Cooperative of women of Gerakari/Agia and Agrotouristic Cooperative of Women of Gonnoi/Larissa “Antigonides” are established in the region of Thessaly. It is the region with the strongest agri-food sector in Greece. Although Thessaly is the region with the strongest agricultural sector in Greece, innovative initiatives in this field have been scarce and mostly from the private sector. Only recently “Thessaly food” a technology platform for the food sector has been

launched at regional level aiming at promoting agri-food innovation. The third SME networking researched organization is Association of Agriculture Cooperatives of Poligiros – in the region of Central Macedonia. The first two networks are activated in the field of traditional Greek food products while the third one mainly in edible olives and olives for olive oil production. Although operating in a rather traditional way, all three networks showed exceptionally open mind and collaborative spirit towards “TOWARDS” approach, especially after having realized that progress is interwoven with the adoption of innovative operational models. In this direction the use of the migration toolkit greatly assisted in the networks’ analysis, evaluation of their competences, and readiness to integrate new knowledge and culture, allowing the planning of a series of actions towards their market re-positioning and synchronization with consumers’ aspirations for highest quality of agri-food products (see 3rd TOWARDS Newsletter - <http://www.towards-project.eu/>).

One can highlight a very good co-operation of regional Spanish and Greek SME networks with local authorities and other public organizations responsible for domestic and regional development. Those institutions support well SME networks in Spain and in Greece opposite to Lithuanian and Polish and to less extent also Czech organizations which competence and willingness are still much poorer.

CONCLUSIONS

1. Review of issues concerning agri-business development in research EU countries shows that historical reasons and endogenous factors are crucial for state and perspectives of SME networks future and meanings.
2. Meanings of SME agri-food networks both in old and new the EU member countries can not be overestimated because of contradictions of market economy which supports concentration processes of all elements of food delivery chain, so manufacturing raw material, food processing and distribution. Those processes require more and more intensive production technologies not friendly for safe and tasty food for consumers. In other side this way work is more and more replaced with capital and problem of unemployment in rural areas increases.
3. The solution is strengthening local structures of networking agribusiness organization and supporting them with know-how to be competitive at aggressive markets where powerful international concerns dominate. The support should be given by central and local authorities, self-governments and other branch organizations having common interest in agri-business development.

4. Elaborated toolkit is to provide knowledge and experience in a form of clear strategy and business plans to raise the awareness the SME’s weight of networking cooperation let realize individual business interests and common goals of the networks as well.

5. Among distinct features of new the EU member countries influencing situation and perspectives of SME networks one can highlight underdeveloped institutions decided poor central and local economical, regional and agricultural policies. Their level is not sufficient to face challenges concerning support for the networks. On the other hand, endogenous factors which is limited trust of the network members also edges possibilities of SME network successes.

6. Good models for new member the EU countries can be solutions worked out by organizations acting in Spain and Greece. It can be improved through exchange of knowledge and experience with old EU member partner countries where those institutions are on much higher level of development and know-how support new associationism. They could be benchmark their best practices to Poland, Lithuania, Bulgaria or Czech Republic to accelerate the progress towards customer aspirations and international markets.

7. For both Spanish, Greek, Polish, Lithuanian, Bulgarian and Czech SME agri-food networks as well still challenge is finding balance inside their organizations: how much the members business entities should compete to each other and how much they should co-operate to succeed individual and grouping interests.

LITERATURE

- [1] Bojar W., 2002. Przesłanki rozwoju rolnictwa i obszarów wiejskich w Polsce na tle doświadczeń krajów europejskich. *Prace Nauk. AE we Wrocławiu* 941(I), 110-116.
- [2] Bojar W. Drelichowski L. 2008. Progress assessment of adaptation processes of agribusiness companies as derivative of it network development and knowledge support. *Studies & Proceedings Polish Association for Knowledge Management* no. 15, p. 20-27.
- [3] Bojar W., Drelichowski L., Dzieża G., Zajdel M., 1999. Agricultural Restructuring Processes, Modernisation of Production Technology and Costs of Mechanisation on Farms (Procesy restrukturyzacyjne rolnictwa, modernizacja technologii produkcji i koszty mechanizacji w gospodarstwach rolniczych). *Zesz. Nauk. ATR* 220, *Rolnictwo* 44, 17-24.
- [4] Bojar W., Kinder T. 2008. Synthesis of enrolment and evaluation of agri-food network activities in

SME sector in Poland. Studies & Proceedings Polish Association for Knowledge Management no. 15, p.28-38.

[5] Bojar W., Kubicka A., Pawłowska-Tyszkó J. 2001. Perspektywy i ograniczenia rozwoju rolnictwa i obszarów wiejskich województwa kujawsko-pomorskiego na tle Polski. Post. Nauk Roln. 2(01), 101-118.

[6] Bojar W., Sikora M. Strategia wzrostu MŚP w zarządzaniu usługami gastronomiczno-cateringowymi¹ Studia i Prace Wydziału Nauk Ekonomicznych i Zarządzania nr 7 Zarządzanie Przedsiębiorstwem, Szczecin 2008. s. 645 – 657.

[7] Borkowski B. Systemy informacyjne w rolnictwie na potrzeby Wspólnej Polityki Rolnej, Warszawa 2003.

[8] Castells M., Himanen P. 2002. The Information Society and the Welfare State – the Finnish Model, OUP, Oxford. +3-4 o asocjacionizmie

[9] Drelichowski L. 2000. Elementy teorii i praktyki zarządzania z technikami informacyjnymi w przedsiębiorstwie, wydaw. Uczelniane ATR w Bydgoszczy.

[10] Drelichowski L. 2001a, Stan konsolidacji i logistyki agrobiznesu w otoczeniu globalnych sieci handlowych. Organizacja i Kierowanie. nr 2(104), s. 101-115

[11] Drelichowski L. 2001b, Zmiany stanu koncentracji i logistyki agrobiznesu warunkiem efektywnej integracji Polski z Unią Europejską. Roczniki Naukowe Stowarzyszenia Ekonomistów Rolnictwa i Agrobiznesu. Tom 3, zeszyt 4. Białystok. s. 26-30.

[12] Drelichowski, Hempowicz, Kamiński, Niemier (2007): Analysis of technical and organizational circumstances of functioning of wholesale market network of Wielkopolska Agri-Horticultural Wholesale Market in Poznań. Studies & Proceedings Polish Association for Knowledge Management no. 12 p. 42-52.

[13] Drelichowski L., Stawicka M.: Zastosowanie sieci migrujących i budowa hurtowni danych oraz baz wiedzy do oceny funkcjonowania przedsiębiorstw komunalnych przez władze samorządowe. Przegląd Statystyczny 2008

(w druku)

[14] Fisher ML, 1997, What is the right supply chain for your product, in Harvard Business Review, March-April, pg. 105 – 116.

[15] Hochman M., Vinklarkova P., Patelek M. Current state in agri-business in the Czech Republic - farmers, agri-food sector, networks. Studies & Proceedings Polish Association for Knowledge Management no. 12 p. 113-115.

[16] Hunek T. 2006. Perspektywy Rolniczej Polski w Unii Europejskiej-25. (red.), IRWiR PAN, Warszawa.

[17] Kinder T. (2007); Organisational change in agri-food networks: an analysis of agri-food networks in Andaluciá turning towards markets. Studies & Proceedings Polish Association for Knowledge Management no.12 p.53-71.

[18] Kinder T and Lancaster N, 2001, A Sociotechnical model for formulating a sub-national region economic development strategy: building absorptive capacity in a learning region, Science and Public Policy, Vol. 28, No. 2, pg. 23 - 40.

[19] Kinder T. Slavova M. 2007. Service innovation in the Bulgarian quality wine export networks: network migration at a macro-level. Studies & Proceedings Polish Association for Knowledge Management no. 12 p. 71-84.

[20] Kowalski Z. 1996. What is the future of family farming in Poland? The Journal of University of Technology and Agriculture Bydgoszcz. No. 199. Agriculture 40, p.217-224.

[21] Stoner J., Freeman R., Gilbert D., Management, Sixth edition. Prentice Hall, Englewoods Cliffs, New Jersey 1995.

[22] Wyszowska Z. Sytuacja ekonomiczna w przemyśle mleczarskim w Polsce. Studies & Proceedings Polish Association for Knowledge Management no. 12. 97-107, p. 97-107.

¹Praca zrealizowana w ramach Programu Ramowego 6 Unii Europejskiej i projektu TOWARDS – Umowa nr 518702 na temat :” Migrating networks from a producer TOWARDS a market orientation within the agri-food sector