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# SEEDING

Social Economy Enterprises addressing Digitalisation,  
Industrial relations and the European Pillar of Social Rights



**CASE STUDY  
POLAND**

## District Dairy Cooperative in Piątnica



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## District Dairy Cooperative in Piątnica



NAME OF THE PRACTICE	INTRODUCTION OF ERP (ENTERPRISE RESOURCE PLANNING) SOLUTIONS AND AUTOMATION OF THE PRODUCTION PROCESS.
<b>Responsible actor</b>	<ul style="list-style-type: none"> <li>management</li> </ul>
<b>Type of practice</b>	<ul style="list-style-type: none"> <li>business plan:               <ul style="list-style-type: none"> <li>consequence of fierce competition in the dairy product market</li> <li>the need to prepare the company for the abolition of milk quotas by the European Union in 2015, i.e. top-down milk production control at the level of individual Member States</li> <li>the need to maximise benefits for about 2,000 cooperative members in the liberalised dairy market</li> </ul> </li> </ul>
<b>Challenges addressed</b>	<ul style="list-style-type: none"> <li>automation of work</li> </ul>
<b>Employment impact</b>	<ul style="list-style-type: none"> <li>job retention</li> <li>skills and training</li> <li>work organisation and work-life balance</li> <li>health and safety at work</li> </ul>
<b>Geographical coverage</b>	<p>OSM Piątnica is a recognised and desirable employer in and around Łomża (the city's population is 60,000). The company's HQ is located just outside Łomża, in the village of Piątnica, which has fewer than 1,800 inhabitants, and is the capital of the commune with a population of 10,000). OSM employs 800 people altogether, at two production plants, in Piątnica and nearby Ostrołęka. The company still employs new people using the resources of the local market.</p>

<b>Sectoral coverage</b>	<p>OSM Piątnica is one of the largest enterprises in the agri-food sector. The company's revenue for 2018 is PLN 1,235,203,244.99 (approx. €286.6 million), with a net profit of PLN 4,887.15 million (approx. €1,136 million). Its financial situation is stable. The cooperative does not use external sources of financing.</p> <p>Its main business activity is the purchase of dairy raw material, milk processing and sale of dairy products on the domestic market and abroad.</p> <p>In 2018, OSM bought 394,220,000 litres of milk, which was 20.6 million litres more than the previous year. The cooperative's purchases grew by 5.5%, compared with the national average of 2.5%. The number of suppliers ranges between 2,000 and 2,010 farms. Only cooperative members can be suppliers.</p> <p>Members are entitled to special perks on this account. Since 2001, OSM has paid them a higher rate per litre of milk than the market average.</p> <p>According to the 2018 report of the OSM Piątnica management board, the net value of the raw material purchased in 2018 was PLN 659,574,000. The average net price per litre was PLN 1.67 (PLN 1.77 gross, i.e. €0.41 gross), which is an increase of 3.1% compared to the price for the previous year. The average net price per litre in the cooperative was PLN 0.33 (24.6%) higher than the average price in Poland, which was PLN 1.34 (€0.33). The price of milk in the cooperative was also PLN 0.26 (18.4%) higher than the average price of milk in the Podlasie voivodship (PLN 1.41).</p> <p>Milk was purchased from 40 communes located in 10 poviats in 3 voivodships: Podlasie, Masovia and Warmia-Masuria. The highest daily purchase in 2018 was recorded on 25 May amounted to 1,192,864 litres.</p> <p>Piātnica won the Superbrands 2018 Award ranking 6th among the most recommended brands in Poland and still maintains and strengthens its position.</p>
<b>Company coverage</b>	<p>There is an Independent Self-Governing Trade Union "Solidarity" – Mazovian Region, Company Committee No. 1932 of the District Dairy Cooperative based in Piātnica – within the company. Union membership covers fewer than 10% of employees, which is also characteristic of most non-state companies in Poland. Despite this, the trade union is very active, especially in terms of promoting new forms of retirement savings, the so-called Employee Capital Plans.</p> <p>Women dominate in production departments (approx. 60%), while men deal mainly with logistics. The average age of employees is 40, which contrasts with the average age of the OSM management board members (which is 65).</p> <p>The management board focuses its attention on milk suppliers – members of the cooperative. Special training on cow breeding, fodder quality and production hygiene is conducted for them. The management board has also decided to invest in green energy (photovoltaics) in its plants, both to boost profitability and for promotional purposes.</p>
<b>Occupational coverage</b>	<p>The nature of OSM Piātnica's activity, whose key element is the cooperative members-suppliers, leads to automation development aimed at increased convenience for them. In 2018, the eMilk online system was made available to farmers. eMilk is an information and communication platform where the cooperative publishes information ranging from the principles of raw material assessment, through all current information, to a list of feeds.</p>

	<p>After logging in, each milk supplier has access to information on the quality and parameters of milk, the volume of daily deliveries, milk temperature, geometric averages and payout values.</p> <p>The system also relieves cooperative employees as they do not have to deal with these duties directly. The management of OSM Piątnica pays attention to staffing issues: automation has rationalised and reduced production costs, and increased productivity, but at the same time did not lead to any lay-offs. Automated production allows the employee to be transferred, e.g. to the logistics department or to a warehouse. Every year, the company increases employees' salaries. Currently, the median wage is around PLN 5,000, which is considered an excellent salary in the Podlasie voivodship.</p> <p>Digitisation has changed the work of office workers (less paperwork, online procedures), workers (check production status on digital devices), and also cooperative members who use the eMilk system.</p> <p>This is a comprehensive practice.</p>
<b>Workforce addressed</b>	Most employees in production have vocational and secondary education. The management representatives hold master's degrees.
<b>ACTORS INVOLVED IN THE ACTION</b>	
<b>Company management</b>	Yes
<b>Worker members of the cooperative at large</b>	No
<b>Works councils</b>	No
<b>Trade unions</b>	Yes: Independent Self-Governing Trade Union "Solidarity" – Masovian Region, Company Committee No. 1932
<b>Employers' organisations</b>	No
<b>NGO</b>	No
<b>Public authority</b>	No
<b>DESCRIPTION</b>	
<b>Rationale for the adoption of the practice</b>	<p>In the case of OSM Piątnica, digitisation turned out beneficial for everyone. The company is profitable, suppliers increase production, people are eager to work in the company and encourage their family members and friends to do the same. There are no threats to its operation. Customers receive tasty and affordable products of the highest quality. It would take a dramatic change in global eating habits for milk production to stop being profitable. What might be expected as the next step is the robotisation of warehouses leading to increased work safety and improved working conditions (occupational diseases: backache and noise), which will, in consequence, lead to further changes in jobs and require training employees in operating robots.</p>
<b>Process of the adoption of the practice</b>	<p>Implementation of the ERP system was an inevitable consequence of the long-term process of computerisation. Production automation was a necessary step in the process of increasing the efficiency and productivity of plants in connection with the obligation to comply with restrictive sanitary regulations in food production.</p>

<b>Description of the practice</b>	<p>Let us look at granulated cottage cheese, one of OSM Piątnica's products. To meet order volumes and HACCP (Hazard Analysis and Critical Control Points system) requirements, the entire process must take the form of an automated production line. Humans intervene only to refill the stock of packaging for finished cheeses and place them in the cold store.</p> <p>The ERP system allows additional control points to be added. Production volume corresponds to the orders received and stock is held low. When a particular batch of products is electronically directed to the production line, it is already known which retail chain will receive the order.</p> <p>The whole process takes one business day.</p>
<b>Dismissed alternatives</b>	<p>The implementation of ERP at OSM Piątnica was the only possible alternative to remain an active player in the food market. Production automation must go hand in hand with increased productivity of farmers – cooperative members.</p>
<b>ASSESSMENT</b>	
<b>IMPACT OF THE PRACTICE ON:</b>	
<b>Job stability and secure employment</b>	<p>Digitisation has increased the markets for dairy products and stabilised its quality. This translates into maintained or even increasing employment levels.</p>
<b>Skills needs and training</b>	<p>Depending on what element of digitisation at OSM Piątnica we look at, additional competences are needed that may require special training. Suppliers must regularly improve their qualifications.</p> <p>The perfect situation would be milk going into production without any human contact. And if a person must be present, they should only act as a quality controller and logistics specialist.</p>
<b>Working conditions</b>	<p>Introducing the ERP system improves work organisation. Limiting paper circulation allows the employees to focus on compliance with sanitary standards and ensuring quality of production. Employees are relieved of the duty to check paper orders for errors. They can focus on watching the production closely.</p>
<b>Company performance</b>	<p>The company increased productivity of both blue-collar and white-collar workers while expanding its sales. This is also due to the higher safety and hygiene standards that automation of production has guaranteed.</p> <p><i>See: Sectoral coverage</i></p>
<b>Overall strengths and weaknesses</b>	<ul style="list-style-type: none"> <li>• Ability to track which batch of milk (from which supplier) was used on a given day</li> <li>• Putting emphasis on quality of production</li> <li>• More investment in warehouse robotisation is still necessary</li> <li>• Training in operating the ERP system as a necessary element of digitisation</li> </ul>
<b>Overall opportunities and threats</b>	<ul style="list-style-type: none"> <li>• The suppliers know what happens to the milk they sell</li> <li>• The company controls the cow breeding process and sanitary conditions including at the farm</li> <li>• The production line limits human contact with the product</li> <li>• No threats identified</li> </ul>



<b>Potential for social partners and collective bargaining to upscale/transfer the practice</b>	<p>Employees together with cooperative members (milk producers) should decide whether they want a robotised warehouse that would cause the entire production process to be automated, from milk delivery, through ordering goods by a trading company, to delivery to store shelves.</p> <p>Before further robotisation occurs, the social environment should force the cooperative authorities to intensify employee training. This is especially about how an employee should cooperate with robots, what additional competences are needed and why the introduction of robots to warehouses will prove beneficial to their health.</p>
<b>Potential for public authorities to support upscaling/ transferring the practice</b>	<p>Digitalisation at OSM Piątnica proves that this process can be beneficial for owners, cooperative members and employees.</p>
<b>List of annexes, sources</b>	<ul style="list-style-type: none"> <li>• Company website</li> <li>• <a href="https://ekrs.ems.gov.pl">ekrs.ems.gov.pl</a> – access to annual financial and technical reports.</li> </ul>
<b>Company website</b>	<a href="http://www.piatnica.com.pl">www.piatnica.com.pl</a>

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