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THE ROLE OF INSTRUMENTS OF THE COMMON AGRICULTURAL POLICY TO ENSURE STABILITY OF COMMERCIAL AGRICULTURAL HOLDINGS AND DEVELOPMENT OF RURAL AREAS A CASE STUDY OF OPOLE PROVINCE

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ABSTRACT: The aim of the paper is to show the role of users of commercial agricultural holdings in the development of local areas and to select instruments of the Common Agricultural Policy (CAP), which are significant in building developmental potentials of agriculture and rural areas in Opole Province. The modernization processes going on in commercial agriculture result in its de-placement. Thanks to instruments of the Common Agricultural Policy (CAP) there follows a re-rooting of agriculture in the territory. On the basis of survey research carried out in 2014 in 100 commercial agricultural holdings based in Opole Province, which were selected for the purpose, the authors present an analysis of farmers' opinions concerning different instruments of the CAP, which favor sustainable development of the country and agriculture. According to the farmers, the action "Modernization of agricultural holdings" make the priority instrument of the Program of Rural Areas Development (PRAD), while improvement of agricultural holdings' profitability has facilitated the process of their ecological modernization. The results of the research confirm the fact that farmers still make a vital developmental environment in the rural areas of Opole Region. However, the research has revealed their weak support for financing of grassroots institutions within the actions of the Program of Rural Areas Development, which can pose a barrier to implementing the paradigm of integrated territorial development.

KEY WORDS: sustainable development, integrated development management, rural areas, intervention instruments of the CAP, modernization of agricultural farms

Introduction

The policy of cohesion was launched by the Council of the European Economic Community in June 1988 (Rozporządzenie Rady (EWG) nr 2052/88). It was then when it was decided that the policy should be financed with means coming from structural funds, that is sections of orientation of the European Agriculture Guidance and Guarantee Fund (EAGGF), the European Social Fund (ESF), the European Regional Development Fund (ERDF), and beginning in 1993 – also those from the separately founded Cohesion Fund. Establishing the cohesion policy in this form as well as including it in the realization of sections of guidance of the EAGGF gave rise to a shift of the Common Agricultural Policy (CAP) from individual branch policy to territorial one¹. This process was supported with scientific studies and experts' reports concerning evaluation of effects of implementing instruments of the Program of Rural Areas Development (PRAD) in regions of the United Europe (Westhoek et al., 2012)². In connection with the more and more extensive knowledge on the structure-generating mechanisms of network economy and information society, they allowed formulating assumptions of the cohesion policy in a new paradigm of rural areas. The main conclusion which results from comparing the "old" and the "new" conception of the policy relates to replacing intervention subsidies with investment ones. Therefore, it offers a completely new approach to pro-equality- and pro-effect-oriented actions based on securing stability and development of natural, real, financial, human and social capitals in rural areas.

The institutional innovativeness which is meant to facilitate replacement of subsidies with investment interventions is Common Strategic Frameworks that allow integrating means from the ERDF, the SF (the Structural Funds), the ESF, the EAGGF and the EMFF (the European Maritime and Fisheries Fund) (COM (2013) 1303). On the basis of Declaration Cork 2.0 it can be expected that this paradigm of development of rural areas will be maintained and strengthened as a result of the "health examination" of the CAP. Ensuring stability of family-based agricultural holdings is the condition of restoring their significance in local development and "better life in rural areas" (Cork 2.0 2016).

As regards Poland, new institutional solutions are financially supported primarily within the Program of Rural Areas Development (PRAD) 2014-

¹ The Cork Declaration of 1996 is commonly considered to be the institutional beginning of such a transformation.

² A broad and deepened discussion of this research in both international and national cross-sections was presented in: Bańkowska, Gruda, Klimowski, 2015, p. 25-47.

2020. For this reason it is extremely significant to know farmers' opinions, as the main party interested in the policy of agriculture and rural areas, on the significance of particular actions of the PRAD for the development of agricultural farms and local areas.

Goal, subject and methodology of research

The evaluation of implementing CAP instruments in individual regions of Poland points to different effects of their influence, sometimes even opposing one another. Instead of levelling developmental standards, their implementation can lead to divergence in rural areas of Poland's regions. There follows one basic conclusion from the studies: it is necessary to regionalize instruments of support and investment interventions. The article presents selected results of multifaceted studies conducted with the use of the survey questionnaire method in purposefully selected commercial agricultural holdings, whose area of arable land exceeds 10 hectares. They are located in sub-regions that are representative of the agriculture of Opole Province and run high-intensive and medium-intensive farming. The intensity of organization of agricultural production was calculated with the use of B. Kopeć's point method that is commonly applied in studies of this type (Gołębiewska, 2010). The group of farms examined in 2014 amounted to 100 – 20 in each of the agricultural sub-regions. A relevant survey questionnaire contained questions of the quantitative and qualitative character, open and closed, including the given scale of answers. One of the specific goals of the research was to obtain the answer to the questions: (1) Do the users of these holdings form a developmental environment in their communes and (2) Do they perceive its development in a reliable way? The assumption was accepted that is it not until profitability of family-based agricultural holdings is ensured that their users are ready to see to environmental, social and institutional problems. The authors concentrate on such problems as: subjective assessment of incomes of agricultural holdings by their users, farmers' opinions on the height of incomes after Poland's accession to the European Union, identification – by this environment – of developmental problems in the gmina (commune) and their evaluation of the actions within the PRAD in the context of farmers' participation in programming local development. The aim of the article is to point to the role of users of commercial agricultural holdings in local development as well as to isolate instruments of the CAP, which are essential for building developmental potentials of agriculture and rural areas in Opole Province.

The European Model of Agriculture as the basis of sustainable development of rural areas

Family-run farming makes the foundation of the European Model of Agriculture, which is realized in the EU policy. Its assumptions were defined in Luxemburg in 2003. In contrast to the industrial farming, this is a model of multifunctional agriculture which implements principles of sustainable development (Zegar, 2012). On the other hand, contrary to the traditional one, managing such a holding requires knowledge and institutional reflectiveness, which build trust in abstraction systems, chiefly – specialist knowledge. Perceiving the space of the country from the perspective of knowledge and experience constitutes a feature that distinguishes the new approach to the solidity of development of rural areas³. Its expression is the aphorism “more knowledge per one hectare” (Buckwell, 2014). However, the most important condition behind realization of this model remains a rise in the added value to agricultural production and securing incomes to people who earn their living by farming on the level which is comparable with incomes obtained in other branches of economy.

One of the basic ways of assessing the level of incomes of farmers in the EU is founded on the measure of income from production factors counted per one person working full time. It follows from the calculations of H. Runowski (2015) that in the years 2005-2014 there occurred a real tendency of farmers' growing incomes in the EU as a whole, although since 2012 their stagnation has been noted or even a considerable drop in such countries as: Finland, Lithuania, Belgium, Italy and Denmark (ranging from 22% in the case of Finland to 10.1% in that of Denmark). As regards the newly-accepted member states, these incomes have grown to a much higher level – by 76.1% in comparison with the EU-15, where the rise amounted to 18.8%. The cited author also made ranking lists of countries with reference to the dynamics of changes in this measure. The annual rankings show Poland in the lead in 2007 and in 2010, while in 2014 it took the sixth place (Runowski, 2015). Thus, it seems important to ask the question: Do users of commercial agricultural holdings in Opole Province hold similar feelings (table 1).

³ The approach to the development of the country and farming in economy based on knowledge was presented in: Bisaga, 2014, p. 236-243; see also: Bruckmeier, Tovey (eds), 2009.

Table 1. Changes in the incomes of holdings, following the accession to the European Union, in the opinions of examined farmers [%]

Specification	Indications in %
Improved to a considerable extent	20
Improved only slightly	50
Have not changed	15
Worsened	5
Considerably worsened	0
It is difficult to assess	10

Source: author's own work.

It follows from the data presented in table 1 that 70% of the farmers confirm the positive pace of the changes in the incomes obtained after Poland's accessing the EU, including: 20% who declare the change to have been substantial and 50% – a slight one. Despite this, only 1% of the examined assess their incomes from farming to be very high, 12% – high, 62% – medium (sufficient), and 20% to be low or very low (5%)⁴. The incomes evaluated in this way make it possible, according to the examined farmers, to accomplish the following: maintain the family (33% of the indications), secure material stability (22%), make investments in the holding (21%), provide children with education (16%), invest in residential buildings (8%) and in storage facilities (4%).

In the light of the debate running in different European countries in the 21st century, concerning the role of subsidies in agriculture in creating incomes of agricultural holdings in the EU, it is vital to identify factors which the height of the incomes depends on (table 2).

Polish agricultural holdings, despite the fact that they function locally, must respond to global conditions of purchase prices. The trend of growth in farmers' incomes, described earlier, was connected with the increase in prices of produce in global markets and making use of them for non-nutritional purposes. Purchase prices are thus listed as the main income-generating factor. The components identified in the ranking, which condition incomes, that is prices of fertilizers and plant protection products (2nd place), prices of machinery and installations (3rd place) and prices of seeds and breeding materials (4th place) describe the phenomenon of the so-called "technological treadmill", as a compulsion to adapt innovation.

⁴ These opinions correspond to the data supplied by EUROSTAT, which prove that – as far as absolute values are concerned – incomes of Polish agricultural holdings ought to be ranked the 23rd-24th in the EU (Runowski, 2015, p. 238).

Table 2. Factors determining the height of income of holdings in the farmers' opinions

Specification	Place on the ranking list
Purchase prices	1
Prices of machinery and installations	3
Prices of fertilizers and plant protection products	2
Prices of seeds and breeding material	4
Rise in the price of products due to the possibility of storing on the farm	8
Costs of credits	7
Height of taxes and payments	6
Height of direct grants	5
Premiums obtained from receivers resulting from high quality of produce	9
Premiums resulting from participation in a group of agricultural producers	10

Source: author's own work.

Analyzing the structural transformations going on in agricultural holdings based in Opole Province after 2004, it is possible to formulate the conclusion that their users perceive the area payments (5th place in the ranking) as an instrument of managing income risk, which grows along with specialization of production and “simplifying” its structure.

It is also possible to consider the question whether the presented ranking list of income-generating factors will translate to evaluation of PRAD-related actions by farmers in Opole Province.

Users of commercial agricultural holdings in the developmental environment of the commune

From the perspective of the new paradigm of rural areas development it is vital to clearly separate subsidies connected with unreliability of markets compensating for the rise in efficiency, the income from which is transferred to other branches of agribusiness and subsidies which secure stability of services rendered by holdings for the benefit of the environment from the economic rent – as agricultural interventionism is often perceived (Czyżewski, 2015). Acknowledging, to a considerable degree, subsidies from the CAP to be a kind of economic rent must lead to the conclusion that users of agricultural farms display a high dose of opportunism understood as “sly drive

towards realization of one's own interests" (Williamson, 1998). A natural consequence of the above statement is the view that this social group are unable to identify problems of local development and to comprehend its assumptions. Table 3 presents farmers' opinions concerning problems which require solving urgently.

Table 3. Problem areas in the commune in the farmers' opinions [%]

Specification	Indications in % *
Safety and public order	32
Cleanliness	13
Maintenance of libraries and dayrooms	12
Environmental protection	33
Unemployment	56
Trade and service	12
Development of entrepreneurship in the commune	46
Maintenance of schools and kindergartens	39
Social care	20
Healthcare	27
Water supply and sewage system	21
Others:	
• maintenance of field roads	2
• RES (renewable energy sources)	2

* possibility of indicating more than one option

Source: author's own work.

Agricultural holdings connected with the market contract increasingly many formal transactions and must rely on specialist knowledge to handle them, which leads to weakening bonds with the local space. Farmers' "re-rooting" in this space proceeds through their participation in social networks which are formed for the needs of local development. On the basis of the present studies it can be noticed that, in the respondents' opinions, it is the lack of enterprises which poses the main problem to the development in the commune. Other questions that call for urgent settlement are the following: maintenance of schools and kindergartens (39%), protection of environment (33%), safety and public order (32%), healthcare (27%). Farmers also identify the main developmental barriers, which include primarily the spheres such as: financial limitations (75% indications), "bad" regulations (48%),

conflicts between councilors (44%) and wrong decisions (25%). Solving these problems relies on both endogenous and exogenous factors. According to the respondents, the future of the commune will depend on: the local authorities (71% indications), inhabitants of the commune (52%), inhabitants' entrepreneurship skills (34%) and local-government activists in the commune (31%). Apart from this, the questioned count the state's policy (62% indications) into the most serious factors relating to external conditions. It is characteristic of farmers from Opole Province to marginalize new institutional forms of inhabitants' self-organization, the significance of which is appreciated by mere 10% of the respondents.

Taking account of the fact the financial barrier, in the examined farmers' opinions, is decisive in enhancing local development, the following question can be asked: What hierarchy of actions within the PRAD could be proposed by the farmers themselves as the most interested party?

The obtained results do not confirm the thesis which assumes dominance of the opportunist attitude among farmers. Although it is true, in their opinions, that "modernization of agricultural holdings" should be allotted the most of the available means (the choice ranking the highest), such an attitude can be readily justified: in the conditions of the above-mentioned technological treadmill and sustainable intensification of production, the investment-related activity of agricultural holdings would be considerably restricted without public support.

The stability of family-run farms requires a turn of generations. Regarding holdings which are economically medium-sized and of medium-sized area, succession is strongly conditioned by strengthening of their developmental potentials. Hence, the high position of the scheme "Premiums for young farmers" among the instruments of the PRAD in the region (the second place in the ranking list).

In the case of the Province, the dominant type of holdings are plant-growing farms. It follows from the nationwide research that their users display a strong interest in environmental sustainability at a defined level of economic sustainability (Wrzaszcz, 2012). Unfortunately, in the respondents' opinions, the market does not reward taking care of the natural capital (65% of the indications), therefore when it comes to the regional allocation, agri-environmental programs take the third place. Among the branch-related targets (ones of the territorial character) which require allocating means from the PRAD, there is that of "restoring the potential of agricultural production, which got destroyed in consequence of natural calamities and disasters" (the 5th place).

The phenomenon worth emphasizing is the farmers' concern for the multi-functional development of rural areas, which – apart from maintaining

ecosystems benefits – is associated by them with the following: premiums for commencing a business activity outside agriculture (the 3rd place) and means for “development of business activity” (the 4th place). Support of the development of entrepreneurship in rural areas can come from means designed for processing and marketing agricultural produce (the 6th place), as well.

On the other hand, what can give rise to concern is the farmers’ dislike of collective actions and financial support of grass roots initiatives (Action: Leader – ranking the 11th; Action: cooperation – taking the 13th place; Action: formation of groups of agricultural producers – the 10th place in the ranking list). This may be the effect of given institutional experience held by the farmers, who tend to offer a positive evaluation chiefly of some established organizations (agricultural advisory services, the Agency for Restructuring and Modernization of Agriculture) (Sokołowska, 2014). In the communes, where there were set up groups for renewal of the country and Leader groups, farmers engage in their activities and perceive their impact on the development of holdings and the quality of life in the country.

Conclusions

The process of commercial agricultural holdings coming into existence, which was begun as a result of the socioeconomic system transformation (especially visible in some regions lying in the west and south-west of Poland), that is farming enterprises that build formal links with the market, has led – to a certain extent – to their isolation from rural areas and being neglected in communes’ strategic plans. Thus, the instruments of the PRAD, which became implemented after Poland’s accessing the EU, have produced both similar and completely different effects in the process of restructuring Poland’s rural areas.

The following conclusions can be listed, based on the opinions of farmers from Opole Province:

1. The increase in the incomes of their holdings was connected with a rise in purchase prices and the obtained direct payments made an instrument of managing income risk resulting from cycles of the economic situation and interception of effects of efficiency by other links of agribusiness.
2. The obligation to adapt innovations causes the Action: “modernization of agricultural holdings” to be the priority instrument of the PRAD, regarding commercial agricultural holdings in Opole Region.
3. As far as commercial holdings are concerned (in particular those economically weaker) their succession is linked to securing conditions for their further development through expanding the area of grounds in pos-

session as well as technological modernization. With reference to regional allocation of means designed for the development of rural areas, extra payments for young farmers would take the second place in the budget structure.

4. Improvement in the productivity of agricultural holdings facilitated the process of ecological modernization of farms. Because of the relative instability of the market in this respect, enterprises launched in this sphere should be rewarded within agri-environmental and climatic programs.
5. Farmers' participation in managing ecosystem services invests them with status of a developmental environment in the commune. The awareness of the role played in the local development changes the perception of problems coming up in the commune, as well as the approach to allocation of instruments within the DRA.
6. In the examined farmers' opinions, the third area of allocation of instruments of support, like in the case of agri-environmental-climatic programs, is the development of entrepreneurship in the form of payments to start a business activity outside agriculture.
7. Farmers' experience concerns mainly institutions established to provide them with advice and disseminate practical knowledge. Managing local development should, according to the respondents, concentrate primarily on these institutions. However, it is inhabitants of the commune and their business activity that the quality of life in rural areas will depend on in the first place.
8. The knowledge of developmental possibilities connected with grass root institutions concerns only a certain group of farmers; hence, the low allocation of means for the activity of such organizations in the budget constructed on the basis of farmers' opinions. This, however, can be a broader problem relating to barriers to cooperation in rural areas.

Ensuring stability of agricultural holdings and effectiveness of local development restores the significance of a territory in programming the CAP. The diversity of rural areas in Europe requires different partners rooted territorially to create new mechanisms which will allow defining developmental goals and constructing envelopes of support instruments that satisfy regional needs. Without further qualitative research, which support the system, the allocation of structural means of the CAP will certainly be ineffective.

The contribution of the authors

Conception: Anna Bisaga (50%), Stanisława Sokołowska (50%)

Literature review: Anna Bisaga (50%), Stanisława Sokołowska (50%)

Acquisition of data: Anna Bisaga (50%), Stanisława Sokołowska (50%)

Analysis and interpretation of data: Anna Bisaga (50%), Stanisława Sokołowska (50%)

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