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## **SELECTED ASPECTS OF THE PROCESS OF POLISH FARMS' ADAPTATION TO CROSS-COMPLIANCE REQUIREMENTS**

### *WYBRANE ASPEKTY PROCESU DOSTOSOWANIA POLSKICH GOSPODARSTW ROLNYCH DO WYMOGÓW WZAJEMNEJ ZGODNOŚCI*

**Key words:** cross-compliance, farm, adjustment process, agricultural advisory

*Słowa kluczowe:* zasada wzajemnej zgodności, gospodarstwo rolne, proces dostosowania, doradztwo rolnicze

**Abstract.** The paper presents the process of cross-compliance implementation in Poland. The definition of the process as well as its components are discussed with the use of an example of the cross-compliance mechanism. This mechanism is shown at the macroeconomic level (country level) and the microeconomic level (on a farm), as well as the role of FAS bodies in the process of farm adaptation. Empirical studies were conducted in 2010-2012 and included three Polish provinces: Małopolskie, Opolskie and Łódzkie. On the basis of the analysis it must be concluded that this process consists of several stages, interlinked and dependent upon themselves. At the farm level it can have a repetitive nature. Farmers can take advantage of advisory services in this regard. The results of the survey indicate that farmers mostly use public agricultural advisory services and best assess the quality of services provided by advisory centres.

### **Introduction**

In 2003 a new draft of the Common Agricultural Policy (CAP) was presented in the European Union forum. One of the most important aspects of this draft was to promote less intensive agriculture, increase its competitiveness, focus on environmental protection and finally reduce subsidies for the largest farms [Guba, Piskorz 2002]. The essential element of this reform was among others, strengthening and enlarging the scope of the Second Pillar of the CAP, rural development and forestry and what is more, introducing some requirements for farmers to manage farms according to specific standards [Prus, Wawrzyniak 2011]. These standards were drawn up as a set of requirements (responsibilities) and linked with direct subsidies. This mechanism was named cross-compliance and it concerns all EU farmers who receive direct payments. Therefore, farmers must comply with cross-compliance requirements if they want to gain direct subsidies and get additional support from other activities of the Rural Development Programme [*Regulation of the Minister of Agriculture and Rural Development of 11 March 2010 on minimum standards*].

In a situation, when the farm is not fully adjusted, farmers must carry out some processes to adapt the farm to the cross-compliance requirements, if they still want to participate in the support system. The cross-compliance mechanism has become an economic category, due to the fact that farmers often have to cover additional costs for the implementation of adjustment processes. Receiving direct payments and other forms of support doesn't always compensate the level of costs incurred in the investment [Kielbasa 2012].

The EU obliged all Member States to set up a mechanism of cross-compliance. Its launching is associated with the preparation of procedures and rules of implementation, execution and control [Adamowicz 2008]. In order to carry out tasks related to the cross-compliance implementation, each Member State had to create the so-called Farm Advisory System (FAS). The main task of the FAS is to help farmers in the process of farm adjustment to the new requirements. FAS in Poland was based on already existing agricultural advisory structures, being an integral component of the cross-compliance implementation. It is made up by specific public institutions and private bodies accredited by the Ministry of Agriculture and Rural Development that create this system [Kania 2011].

### **Purpose and range of the research**

The main objective of the study was to present the process of cross-compliance mechanism at a country level (range of institutions) and at a farm level (adjustment process, using agricultural advisory services). Analysis of the cross-compliance mechanism and the FAS in Poland was based on literature studies and information obtained from bodies involved in the FAS (Agency for Restructuring and Modernisation of Agriculture and Agricultural Advisory Centre). Next some of the results were shown based on conducted surveys in 60 agricultural farms in 2011. Research was conducted in three Polish provinces: Malopolskie, Łódzkie and Opolskie. Chosen farms differ from the type of farm production, the economic size unit and the intensity of production. The presented results are part of a broader study conducted into Polish farms on the cross-compliance adaptation processes and the FAS in Poland.

### **Institutional management of the cross-compliance mechanism**

The management process is an ordered sequence of actions with its adaptation into practice. Therefore, in the cross-compliance implementation certain phases and elements that interact and follow one another in a strict order, can be extracted. According to Stabryła [1983] organization of the process management must involve the creation of organizational structures, launching information channels, execution of systems and also must include management functions. According to this author, process management “is a sequence of actions linked with functions of planning, organizing, motivating and controlling, resulting in a change of empirical system”. Therefore, this means that process management is the implementation of a sequence of tasks, dependent on one another. The implementation of cross-compliance is a process that involves many actors of FAS [Matuszczak 2007]:

- The Ministry of Agriculture and Rural Development (MARD): takes responsibility for the implementation of FAS, approves legislative acts, sets goals and assigns functions,
- The Agency for Restructuring and Modernisation of Agriculture (ARMA): an accredited payment institution, which performs mainly a fiscal function in the system,
- The Agricultural Advisory Centre (AAC): FAS coordinating institution, prepares agricultural advisors to help farmers, draws up methodology of advisory services connected with cross-compliance implementation and prepares documentation for all advisory bodies,
- provincial agricultural advisory centres: public bodies providing consultancy services for farmers, mainly on cross-compliance requirements,
- agricultural chambers: farmers association,
- private accredited providers of agricultural advisory services: private bodies providing payable services and operate on the basis of accreditation.

These institutions are the most important links of the FAS. In addition, farmers also look for help from municipal offices, local action groups, agricultural associations and NGO's. With the introduction of cross-compliance requirements, these institutions received new responsibilities. Moreover, they had to adapt themselves to the new conditions and prepare for the new activities. Their goal is to help farmers to fulfill the cross-compliance requirements [Kielbasa 2008].

### **The process of cross-compliance implementation on farms and the role of advisory bodies in this process**

Managing the implementation of cross-compliance requirements on farms is a process that consists of many components and includes traditional management functions: planning, organizing, directing and controlling. Not only is this process influenced by internal conditions (manager, farm and its resources), but also by the external environment, such as the necessity to adjust the farm, or existing sanctions. The most important elements (steps) of the process are shown on Figure 1. The first step is to analyze the farm in terms of meeting the requirements of cross-compliance. This results in preparing a report on the condition of the farm. The report defines the areas of analysis and provides the assessment about the degree of a farm adjustment. If there are irregularities, an agricultural advisor together with a farmer prepares the so-called “adaptation plan to the

cross-compliance requirements”, which contains a description of planned investments, ability to obtain funds and the work stages. It can be called the planning function (Fig. 1). The necessary actions are prepared taking into account the available resources: labour, land, capital and their right organization, which is the responsibility of a farmer.

The next step is defining the costs. In a situation, where the costs of compliance exceeds the potential benefits, the farmer may resign from agricultural production or from some specialization. As shown by farmers, many of them bear significant costs of farm adaptation. There are real costs associated with the process of adaptation (i.e. changing production systems), but farmers also bear “opportunity costs” [Gębska, Malak-Rawlikowska 2012]. There are foregone revenues resulting from the extensification of production and reducing food production. As Niewęłowska pointed [2012] on the base of the results of her investigations, meeting the cross-compliance standards brings many benefits (measurable and non-measurable), but can also lead to a significant reduction of food production.

Adjusting the farm to cross-compliance brings many benefits, not only in running agricultural production, but to the whole farm. The most important is the ability to receive direct payments in a full amount and avoiding sanctions. Farms can also obtain a number of intangible benefits

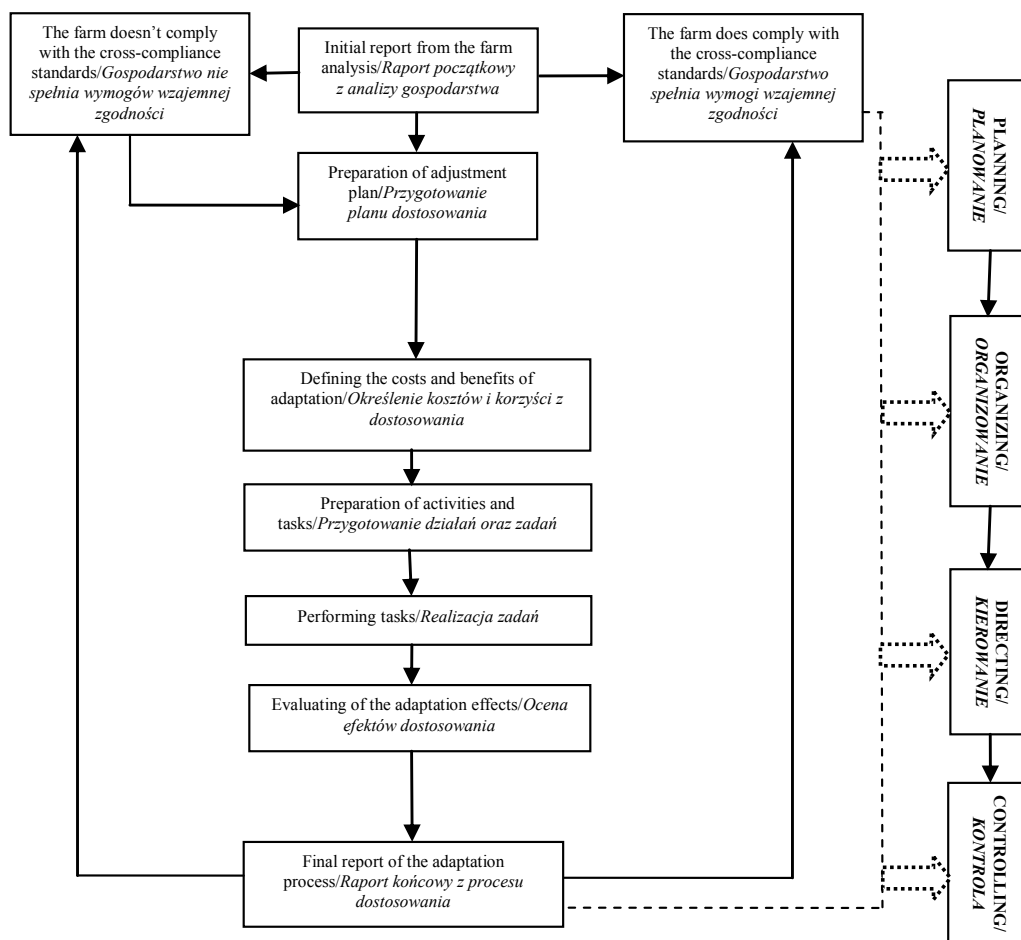


Figure 1. Management of the process of the cross-compliance mechanism on farms

Rysunek 1. Proces zarządzania mechanizmem wzajemnej zgodności w gospodarstwach rolnych

Source: own work based on [www.cdr.gov.pl]

Źródło: opracowanie własne na podstawie [www.cdr.gov.pl]

resulting from meeting the requirements. An important benefit for the farm is the introduction of rational agricultural land and grassland usage and the use of farm buildings in accordance with animal welfare principles. Therefore, farmers can improve the farm management system, avoiding concerns related to ARMA and veterinary inspections.

In cross-compliance adjustment processes, it is sought to optimize resource usage (organizational function). At first, farmers incur non-financial expenses, for example preparing and ordering documentation, obtaining the required qualifications and licences, ordering buildings, warehouses and workarounds. The results of research conducted e.g. by Kruszyński [2012] confirmed that farmers are familiar with the requirements and norms of cross-compliance, and one of the most frequently quoted positive aspects of adaptation in the surveyed farms was keeping and preparing required documentation.

The next important step is the implementation of tasks (directing function), in accordance with the adaptation plan. And the next stage is reflected in determining the extent to which the adjustment plan was fulfilled (controlling function). For this purpose, the advisor and the farmer analyse the farm and then prepare the final report of the farm adjustment. They can define the effects of the implementation of adaptation processes on a farm.

The presented process of adaptation may have a repetitive character, i.e. in a situation where, despite the implementation of the adaptation plan, non-compliances still occur on the farm, or after a while (e.g. in the next year) other irregularities are detected. Then the farmer goes back to the first stage, i.e. analysing the farm in the context of existing cross-compliance requirements.

In order to define the role and responsibilities of the institutions/bodies that work and cooperate with farmers (at farm level), respondents were questioned about using the assistance (help) of their institutions, and then asked to assess them (mark). The results are shown in Table 1. Assistance and help of bodies/entities concerned the analysis, adaptation and implementation of the cross-compliance requirements. Assistance and advisory services range from advice, preparation of the adaptation plan, as well as farmer participation in training (courses, seminars, conferences) on the topic of cross-compliance rules.

As we can see in Table 1, the vast majority of respondents (86.7%) benefited from the support of agricultural advisory centres and help of agricultural advisors employed there. District offices of ARMA were in second place, which were supported by 65% of the surveyed farmers. Therefore, it can be concluded that public agricultural extension plays an important role in the adjustment of Polish farms to cross-compliance requirements. The evaluation included not only the quantity but also the

Table 1. Respondent (farmer) use of advisory services in the field of cross-compliance

*Tabela 1. Korzystanie z usług doradczych w zakresie zasady wzajemnej zgodności przez respondentów (rolników)*

<i>Institutions/organizations/ Instytucje/organizacje</i>	<i>Using of advisory services/ Korzystanie z usług doradczych</i>			
	<i>yes/tak</i>		<i>no/nie</i>	
	<i>number of responses/ liczba odpowiedzi</i>	<i>% of responses/ % odpowiedzi</i>	<i>number of responses/ liczba odpowiedzi</i>	<i>% of responses/ % odpowiedzi</i>
District office of ARMA/ <i>Biura Powiatowe ARiMR</i>	39	65.0	21	35.0
Agricultural advisory centres/ <i>Ośrodki doradztwa rolniczego</i>	52	86.7	8	13.3
Agricultural chambers/ <i>Izby rolnicze</i>	21	35.0	39	65.0
Municipal offices/ <i>Urzędy gmin</i>	12	20.0	48	80.0
Local action groups/ <i>Lokalne grupy działania</i>	11	18.3	49	81.7
Associations and NGO's/ <i>Stowarzyszenia i organizacje pozarządowe</i>	8	13.3	52	86.7
Private agricultural advisory bodies/ <i>Prywatne firmy doradcze</i>	15	25.0	45	75.0
Other/ <i>Inne</i>	3	5.0	57	95.0

Source: own research (respondents could choose more than one institution)

*Źródło: badania własne (respondenci mogli wybrać więcej niż 1 instytucję)*

Table 2. Assessment of the level and quality of advisory services in the opinion of the respondents (farmers) using these services

Tabela 2. Ocena poziomu i jakości usług doradczych w opinii respondentów (rolników) korzystających z tych usług

Evaluated institution/ organization/ <i>Oceniana instytucja/organizacja</i>	Evaluation of the services quality/ <i>Ocena jakości usług</i>									
	very good/ <i>bardzo dobra</i>		good/ <i>dobra</i>		average/ <i>przeciętna</i>		poor/ <i>poniżej przeciętnej</i>		I don't know/ <i>nie mam zdania</i>	
	number/ <i>liczba</i>	%	number/ <i>liczba</i>	%	number/ <i>liczba</i>	%	number/ <i>liczba</i>	%	number/ <i>liczba</i>	%
District office of ARMA/ <i>Biura Powiatowe ARiMR</i>	23	38.3	7	11.7	6	10.0	3	5.0	21	35.0
Agricultural advisory centres/ <i>Ośrodki doradztwa rolniczego</i>	35	58.4	8	13.3	9	15.0	0	0.0	8	13.3
Agricultural chambers/ <i>Izby rolnicze</i>	7	11.7	5	8.3	4	6.7	5	8.3	39	65.0
Municipal offices/ <i>Urzędy gmin</i>	3	5.0	3	5.0	4	6.7	2	3.3	48	80.0
Local action groups/ <i>Lokalne grupy działania</i>	8	13.3	2	3.3	1	1.7	0	0.0	49	81.7
Associations and NGO's/ <i>Stowarzyszenia i organizacje pozarządowe</i>	1	1.7	4	6.7	3	5.0	0	0.0	52	86.6
Private agricultural advisory bodies/ <i>Prywat- ne firmy doradcze</i>	3	5.0	7	11.7	5	8.3	0	0.0	45	75.0
Other/ <i>Inne</i>	3	5.0	0	0.0	0	0.0	0	0.0	57	95.0

Źródło: badania własne (respondenci mogli wybrać więcej niż 1 instytucję)

Source: own research (respondents could choose more than one institution)

quality of advice. Table 2 shows the results of the FAS actors support assessment in the process of farm adaptation. Farmers assessed bodies/entities with whom they cooperate and work in this field.

Most very good opinions concerned employees of agricultural advisory centres – almost 60%. The assistance provided by the staff of municipal offices was also very well evaluated by the respondents. The assistance was focused mainly on the possibility of obtaining aid funds for the adjustment process (investments). The next place was occupied by local action groups. The agricultural chambers' help in this area was assessed as average (Tab. 2).

## Conclusions

On the basis of the analysis and research carried out, the following conclusions can be drawn:

1. The cross-compliance implementation is a process carried out at both – macroeconomic (national) and microeconomic level (on the farm) which consists of a number of interrelated and consecutive elements, and involves many actors. Generally, cooperation between the actors of this process and the proper flow of knowledge and information determines the efficiency of managing to a large extent.
2. The introduction of the cross-compliance requirements forces farmers to make organizational changes in their farms. These changes can be called process, and it's implementation is process management. Process management is the implementation of management functions in achieving objectives. The purpose of management and implementation of the cross-compliance mechanism is to manage the farm in accordance with the required principles.
3. Farmers have the opportunity to participate in the FAS, especially by making use of advisory services and aid funds allocated for the implementation of investment projects. Farmers mostly use the assistance of a public advisory bodies and evaluate services provided by these bodies very well. Therefore, it can be considered that the role of agricultural advisory centres is extremely important in the process of the implementation of cross-compliance. The role of public advisory bodies should be emphasized and strengthened.



4. Taking into account the new CAP period the important role of agricultural advisory in aid absorption and requirement implementation should be emphasised. Public advisory is important for most Polish farmers hence it is vital to support the advisory bodies and informing farmers about the availability of free or subsidized advisory services.

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### Streszczenie

Przedstawiono proces wdrażania wymogów wzajemnej zgodności. Definicję procesu oraz jego komponentów ukazano na przykładzie mechanizmu wzajemnej zgodności. Mechanizm ten przedstawiono w ujęciu makroekonomicznym (poziom krajowy) oraz mikroekonomicznych (w gospodarstwie rolnym), a także krótko opisano rolę wybranych instytucji FAS w procesie dostosowania gospodarstw rolnych. Badania empiryczne prowadzono w latach 2010-2012 na obszarze trzech województw: małopolskiego, opolskiego i łódzkiego. Na podstawie przeprowadzonej analizy należy stwierdzić, że proces dostosowania składa się z wielu etapów, wzajemnie powiązanych i od siebie zależnych. Na poziomie gospodarstwa rolnego może mieć charakter powtarzający się. Rolnicy mogą skorzystać z usług doradczych w tym zakresie. Wyniki przeprowadzonych badań pokazały, że korzystają oni najczęściej z usług publicznego doradztwa rolniczego, a także najwyżej oceniają jakość usług świadczonych przez ośrodki doradztwa rolniczego.

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