

BARRIERS OF ABSORPTION OF EUROPEAN UNION FUNDS BY INDIVIDUAL FARMERS IN POLAND IN THE AREA OF DISPERSED AGRICULTURE

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ABSTRACT

The subject of this study are barriers of usage of different forms of financial support from European Union funds for farmers. The problem has been analyzed based on dispersed agriculture in the macro region of south-eastern Poland that is faintly visible at the level of absorption of union funds intended especially for the development of farms. The study was based on results of questionnaire survey conducted among farmers in 2005. The research proved the thesis that one of essential barriers in gaining financial support from EU programmes by individual farmers is access to information.

KEY WORDS

Common Agricultural Policy, structural funds, financial support instruments, dispersed agriculture

1. Introduction

Common Agricultural Policy of EU as well as structural funds provided farmers with numerous activities and mechanisms of support, which so far have not been practiced in Poland (figure 1). Among forms of direct financial support for farmers from EU funds we can differentiate: direct subsidies and compensation payments, general grants and investment grants.

Financial instruments of support, such as investment grants or general grants, require initiative of a beneficiary, that is taking up particular undertakings, and they involve risk (one must invest own funds, since financial support, in case of subsidy, is available after completion of investment). Whereas, direct or compensation payments do not require realization of exact development undertakings, yet they require meeting given criteria which involve, e.g. the scale and character of particular production or agricultural culture.

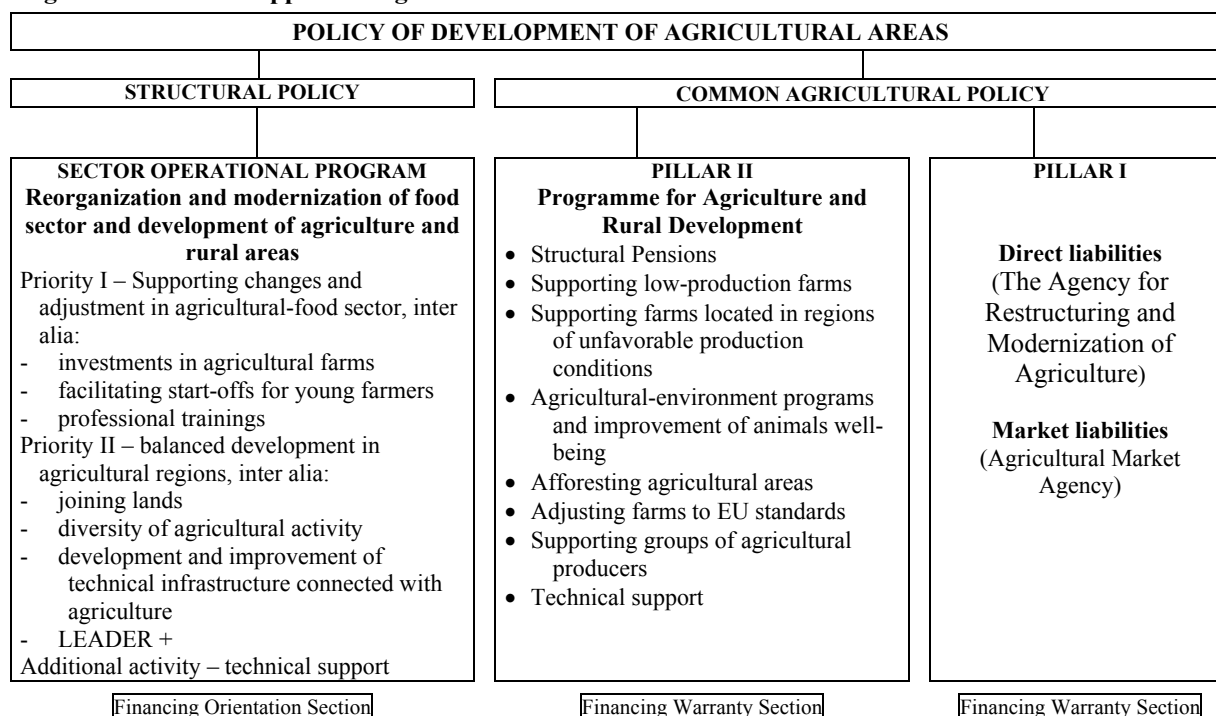
The degree of exploitation of EU funds for farmers, especially in the field of development, to great extent depends on intentional and active involvement of beneficiaries and their preparation for taking advantage of the funds, including level of knowledge, qualifications, ability to write and realize investment and financial projects, readiness to include own funds and bearing the financial risk associated with it.

The degree of farmers' involvement in this field depends on many factors associated with agricultural farms and being a consequence of structural situation of agriculture [1]. To internal factors limiting opportunity to absorb EU funds by farmers we can include:

- economic weakness of agricultural farms,
- their weak and often irregular connections with the market,
- specificity of personality of farmers focused on production aspects, yet not familiar with financial matter,
- concentration of economic and social functions in agricultural farms,
- low education of farmers,
- lack of experience in taking advantage from external financial instruments,
- farmer's awareness of farm's economic condition and farmer's own personality features (e.g. age) being hard to accept by institution implementing the program,
- low estimation of farm's development prospects (e.g. lack of successor),
- perceiving institutions implementing EU programmes and practices of applying for financial support as unfavorable and support conditions as unprofitable.

Such limitations appear particularly intensely in the field of dispersed agriculture, characteristic of macro region of south-eastern Poland [1].

Figure 1: Financial support for agricultural farms from UE resources in Poland in 2004-2006.



Source: Author's own elaboration based on [2].

Individual limitations bear different value and influence on specific decisions in aspect of applying for financial funds from EU programmes. They are also essential based on type of subsidies that are popular among farmers. In case of programmes connected with investment undertakings in the farms, it is necessary to take out a loan or other external financial returnable resources. It is, then, associated with credit limitations, such as low credit capability of farmers or lack of credit security in agricultural farms [3]. Such unfavorable causes lead to delay in investment decisions and, what follows, delay in decisions on farmers' applications for financial support from EU funds.

2. Goal and research methods

The goal of this study is to depict limitations and barriers in absorption of EU funds by farmers. The research, based on questionnaire survey, was carried in December 2005, on sample of 109 farmers, individual users of agricultural farms in Podkarpace voivodeship. Such spatial range of the research is a result of a need to present the examined issues in the region of small, low-production and economically weak farms, in other words in the region which requires external financial support for its transformation and development. On the other hand, research results [1] indicate that farmers from macro region of dispersed agriculture, namely voivodeships from

south-eastern Poland, give way to farmers from other regions of the country in applying for EU funds, especially for the ones associated with investment activities on farms. The diagnostic survey, financed from EU structural funds, involved farmers who were educated in economy of agricultural farms and tax burden in agriculture under conditions of Common Agricultural Policy (Sectoral Operational Program "Restructuring and Modernization of the Food Sector and Development of Rural Areas 2004 – 2006" Activities 1.3, No of project S/9/2005). The choice of research sample was intentional. The aim was to recognize opinion of farmers active in the field of searching and taking advantage from various forms of EU support – not only financially but also educationally.

3. Presentation and review of questionnaire survey results

In conditions of dispersed agriculture, the researched group of owners of agricultural farms states opinion and presents attitude of active and pro-development farmers. There are a couple of features that differentiate researched farmers from the other farmers in macro region of south-eastern Poland (table 1). Above all, they are averagely better educated and younger (the mean age of respondents is 44 and that is 4 years less than statistical mean age of owners of agricultural farms in macro region). The average area of the respondent's farm is 5,4 ha of arable land, therefore

it is 1,5 ha higher than area of average arable land in macro region. The significant fact is that most respondents declared readiness to develop their farms. Almost half of respondents (48,6%) declared expanding the farms with current production in the next 5 years (including 10,1% planning modernization of farms). 14,7% of farmers declared change of production profile, intending to convert to following profiles: ecological (5,5%), garden (3,7%), dairy (3,7%) and fruit and nursery (1,8%). 13,8% of respondents declared undertaking non-agricultural economic activity, including 5,5%

willing to abandon agricultural production. However, 22,9% of respondents will not change anything in their farms. In total, 77,1% of farmers are planning development or significant transformation of their farms.

In 2004-2005, 96,3% of respondents benefited from direct subsidies. Such financial support, in case of 2/3 of farmers (62,4%) covered current farm's needs, every fourth farmer (25,7%) invested the money, and the rest of farmers (11,9%) covered current family needs and purchased consumer goods.

Table 1: Characteristic of studied owners of agricultural farms.

Specification		Studied group	South-eastern Macro-region	Poland
1. Sex of owners of farms	a) women	37,6	39,8	33,5
	b) men	62,4	60,2	66,5
2. Age of owners of farms	- 15 - 29	11,2	6,1	7,4
	- 30 - 49	48,7	43,8	47,8
	- 50 - 64	29,6	29,7	28,2
	- 65 <	10,5	20,4	16,6
3. Education of owner of farms	a) at most primary	11,0	45,1	35,0
	b) at most vocational	39,0	27,6	33,8
	c) at most secondary	43,9	23,3	25,1
	d) higher education	9,1	4,0	6,1
4. Farms by area of agricultural land	- 1-2 ha	18,3	37,5	26,2
	- 2-5 ha	37,8	43,0	32,1
	- 5-15 ha	31,7	18,0	31,5
	- 15-50 ha	9,7	1,3	9,3
	- above 50 ha	2,5	0,2	0,9

Zródło: Questionnaire survey and data of GUS [4].

36,7% of respondents, except for direct subsidies and associated with them LFA payments, benefited from other EU programmes. The most popular ones were programmes realized in the realms of Rural Development Plan, that is grants for low-production farms, farm and environment programmes and farms' adjustment to EU standards, as well as structural pension benefits and afforestation of agricultural areas. Respondents declared that some programmes were not available for each farmer, due to very quick exhaustion of

financial support allotted for that purpose and, as a result, suspension of application process by the Agency for Restructuring and Modernization of Agriculture. It was mainly associated with programme of support for low-production farms, which is well-designed to meet the needs of small agricultural farms. Its popularity was also caused by gaining financial support from this programme does not require costly investment activities from a farmer.

Table 2: Knowledge of farmers on financial support programmes for agriculture (2005).

Detailed list	Number	Percentage (%)
Farmers declaring knowledge on EU programmes	64	58.7
Including following programmes:		
• support for low-production farms	34	31.2
• agricultural-environment programmes and animals well-being	23	21.1
• adjustment of farms for EU standards	20	18.3
• investments in agricultural farms	19	17.4
• structural pensions	15	13.8
• SAPARD	14	12.8
• facilitating start-offs for young farmers	14	12.8
• diversifying agricultural activity	11	10.1
• other	9	8.3

Source: Questionnaire survey.

Among the interviewed respondents, nearly 13% of farmers, in 2002-2003, applied for SAPARD financial support. Whereas, after Poland accession to EU structures, 13,8% of respondents took advantage of similar financial programme SOP (Sector Operational Program) Agriculture (Activity 1.1). In the realms SOP, farmers benefited also from other practices, i.e. programme on facilitating start-offs for young farmers (Activity 1.2) and facilitating diversity of agricultural activity in order to form alternative income resources (Activity 2.4).

It should be noted that only 60% of respondents, except for direct subsidies, were able to enumerate names of other union financial programmes allocated for farmers (table 2). It is obvious then that the farmers' knowledge in this field is still insufficient, especially because the respondents are active farmers, most of whom regularly contact agriculture advisers.

The research proves the thesis that access to information is a vital determinant of farmers' activity in the field of applying for union financial support. Among farmers who did not apply for financial support from SAPARD and aid

programmes like SOP or Rural Development Plan, every forth respondent indicated lack of information in this matter as the main reason for passivity. Moreover, many farmers pointed out that complex procedures and bureaucracy in the process of filling out applications as well as lack of consulting support from external environment were basic problems (table 3). In total, nearly 60% of farmers did not apply for EU financial support for farms, on the grounds of lack of information about such practices and lack of information and useful help in preparing appropriate applications and fulfilling other administration and legal formalities. Apart from the mentioned reasons, farmers indicated internal limitations, i.e. mainly, scarcity of own funds for financing undertakings connected with absorption of EU funds. In case of nearly 19% of farmers, the limitation was a lack of motivation for such activity accompanied by negative evaluation of farm development perspectives. Such evaluation was a consequence of lack of a successor, lack of good physical health for farm works continuation or intention to reduce agricultural activity.

Table 3: Reasons for failure to apply for agricultural farms support from EU funds by farmers.

Reason*	Number	Structure in %
• lack of information on programmes	17	24.6
• scarcity of own funds	13	18.8
• complex procedures	11	15.9
• bureaucracy	8	11.6
• lack of successor	6	8.7
• lack of assistance in application process	5	7.2
• reduction of agricultural activity	4	5.8
• lack of good physical health	3	4.3
• other	2	2.9
Total	69	100.0

*in the form of open ended question, respondents were asked to indicate one main reason

Source: Questionnaire survey.

The most common and the most effective source of information about EU programmes for farmers were employees of agricultural consultancy (table 4). Usually, farmers sought information in Advisory Centre for Agriculture, in consulting centers located by Commune Councils. Moreover, farmers searched for information on EU programmes in county branches of the Agency for Restructuring and Modernization of Agriculture (14,7%), from neighbors, friends or family (total of 13,7%). One of the sources of information were media, especially TV, radio and the press, also the Internet. Overall, 15,6% of farmers used these sources of information. Some part of farmers found information in institutions like Commune Councils (without the participation of employees of agricultural consultancy), Agricultural Chamber and cooperative banks.

The results of research indicate that in the stage of initial information, farmers rely on diverse sources of information. In the process of decision making, the importance of mass media, i.e. electronic media or the press, is diminished. Yet, personal sources, especially agricultural consultancy and the Agency for Restructuring and Modernization of Agriculture, become essential in this process. Also significance of neighbors and family as a source of information and consultancy, becomes greater. The advantage of personal sources, both in the initial stage and stage of deciding, proves that farmers seek for feedback in the information service. They need exchange of thoughts, opinions, explanation of doubts and a kind of adjustment of information to needs of a given farm and its owner, the information receiver. Mass media, unfortunately, due to their generality

and horizontal character, do not serve this opportunity.

Table 4: Structure of indications in the field of sources of information about EU aid programmes for farmers.

Source of information	First source of information	Information received after the process of decision making
	%	%
• Advisory Centre for Agriculture (ODR)	43.1	63.3
• The Agency for Restructuring and Modernization of Agriculture	14.7	21.1
• Friends, neighbors	11.9	8.3
• TV, radio, the press	11.9	-
• Commune Councils	7.3	2.7
• Agricultural Chamber	3.7	1.8
• The Internet	2.8	0.9
• Family	1.8	1.8
• Bank	1.8	-
• Professional press	0.9	-

* question included also direct subsidies

Source: Questionnaire survey.

In the group of respondents, only 15% of farmers filled in applications for direct subsidies or support from other EU programmes independently.

Almost 2/3 farmers, relied in this regard on help from agricultural consultants, mainly employees of Advisory Centre for Agriculture (table 5).

Table 5: Structure of farmers' indications in the field of problems in the process of application for EU financial support.

Detailed list	Number	Percentage (%)
1. What sort of assistance was chosen by a farmer in the process of filling in application for EU financial support*:		
• Employees of Advisory Centre for Agriculture (ODR)	69	63.3
• neighbors, friends	8	7.3
• employees of County Branch of the Agency for Restructuring and Modernization of Agriculture	7	6.4
• other institutions (Agricultural Chamber, Commune Councils, cooperative bank)	5	4.6
• family	4	3.7
• filled in application independently	16	14.7
<i>total</i>	<i>109</i>	<i>100.0</i>
2. What caused a farmer the greatest problem in the process of application for EU support?:		
• filling in the application form	44	40.4
• complex procedures	34	31.2
• gaining information on the programme	15	13.8
• gathering required documentation	14	12.8
• lack of clarity in interpretation	2	1.8
<i>total</i>	<i>109</i>	<i>100.0</i>

* question included also direct subsidies

Source: Questionnaire survey.

They also received assistance from consultants of The Agency for Restructuring and Modernization of Agriculture, cooperative banks, Commune Councils and representatives of Agricultural Chambers; in total, 11% of farmers. The same percentage of farmers declared using assistance of neighbors, friends and families. The farmers were not, however, interested in assistance of commercial consulting companies. It may prove

that farmers are not able to pay for this kind of service or this service is too expensive for them. Among problems, that farmers met in the process of applying for EU funds, the most significant according to respondents were filling in the applications and too complex application procedures. In total, this problem was pointed by 71.6% of farmers. On one hand, these data show that there is a need for simplifying many procedures

and application sheets themselves (at least technically-wise); on the other hand, the data show that there is a need for consultations for farmers in this respect. The greatest difficulty for 13.8% of farmers, was a lack of information required for independent application preparation and fulfilling every formal requirement in this field. Lack of information and its low quality appear, then, as an essential problem of the next stage of a process of application for EU financial support.

The demand for knowledge and skills improvement in the field of applying for EU funds for farmers is best illustrated by a high percentage of respondents, 78,9%, who declared willingness to take part in training in this matter. Moreover, 18.3% of farmers are ready to take part in a training on improving technological processes in agricultural production, 15.6% in training on launching and maintaining non-agricultural business activity, and 12.8% declared readiness to learn foreign languages.

4. Conclusion

Farmers, after Poland accession to EU gained new options of financial support for their profits and for realization of various adjustment and development undertakings in their farms. At farmers' disposal there are many diversified programmes. Level of their use is illustrated not only by accepted implementation procedures but, above all, by attitude of farmers – the beneficiaries. Gaining financial support from EU programmes shall be a goal in itself [5]. Moreover, it is an indispensable element of improvement of agricultural society incomes, reorganization and modernization of agricultural farms, increase in their competitiveness and economic effectiveness and restructuring rural areas and agriculture. Realizing the mentioned goal will not be possible if farmers are not able to completely use available funds and accurately implement them in the process of development.

Most of EU programmes, especially structural programmes, require gaining knowledge and skills in implementing them by potential beneficiaries. Information and consulting support, are essential conditions for the farmers to be able to completely use funds prepared for them. The more complex the supportive programme, requiring farmers to be active, the higher are informative and consulting needs. However, the research conducted proves that for many farmers information and consulting availability is a serious barrier in relying on opportunities of EU financial support for agricultural farms, and what follows in the process of applying for this support.

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