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# Is the Common Agricultural Policy tailored to the needs of farmers? Opinions of agricultural producers from Poland, Romania and Lithuania

# Je spoločná poľnohospodárska politika prispôsobená potrebám poľnohospodárov? Názory poľnohospodárskych výrobcov z Poľska, Rumunska a Litvy

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## ABSTRACT

The European Union's Common Agricultural Policy (CAP) has been reformed several times since its launch in the early 1960s. It has evolved from a price support policy into a mechanism for supporting agricultural income and investment. At the same time, increasing concern has been given to environmental issues, in line with the paradigm of sustainable development. Part of this approach is the concern for the viability of family farms, including smallholder ones. The question that arises here is whether today's EU agricultural policy is really adapted to the needs of smallholder farms. The aim of this publication is to find an answer to the above question. Therefore, the study was conducted to assess the opinions of small family farms owners on the financial support within the EU common agricultural policy. Three European countries - Poland, Romania and Lithuania - were included in the analysis due to the relatively high share of small-scale farms. The research was organised in two stages. In the first, a synthetic measure of sustainability of smallholder farms was created among the holdings surveyed. The second stage included in-depth interviews with 20 – in each country - most sustainable farms. As a result, it was proved that financial support, especially in the form of the simplified direct payment, is necessary to ensure the viability of small farms, but the owners also expect greater price stability and equal conditions of competition within the food supply chain.

**Keywords:** small-scale family farms, Common Agricultural Policy, support, interview, opinions

## ABSTRAKT

Spoločná poľnohospodárska politika Európskej únie (SPP) bola od svojho spustenia začiatkom 60. rokov minulého storočia niekoľkokrát reformovaná. Z politiky cenovej podpory sa vyvinul mechanizmus na podporu poľnohospodárskeho príjmu a investícií. Zároveň sa v súlade s paradigmou trvalo udržateľného rozvoja venuje čoraz väčšia pozornosť otázkam životného prostredia. Súčasťou tohto prístupu je obava o životaschopnosť rodinných fariem, vrátane tých malých. Tu vyvstáva otázka, či je súčasná poľnohospodárska politika EÚ skutočne prispôsobená potrebám malých fariem. Cieľom tohto príspevku je nájsť odpoveď na vyššie uvedenú otázku. Štúdia bola vypracovaná s cieľom zhodnotiť názory majiteľov malých rodinných fariem na finančnú podporu v rámci spoločnej poľnohospodárskej politiky EÚ. Z dôvodu relatívne vysokého podielu malých fariem boli do analýzy zahrnuté tri európske krajiny – Poľsko, Rumunsko a Litva. Výskum

bol organizovaný v dvoch etapách. V prvej bola medzi skúmanými podnikmi vytvorená syntetická miera udržateľnosti malých fariem. Druhá fáza zahŕňala hĺbkové rozhovory s 20 – pre každú sledovanú krajinu – najudržateľnejšími farmami. V dôsledku toho sa preukázalo, že finančná podpora, najmä vo forme zjednodušenej priamej platby, je nevyhnutná na zabezpečenie životaschopnosti malých fariem, no majitelia očakávajú aj vyššiu cenovú stabilitu a rovnaké podmienky hospodárskej súťaže v rámci potravinového dodávateľského reťazca.

**Kľúčové slová:** malé rodinné farmy, Spoločná poľnohospodárska politika, podpora, rozhovor, názory

## INTRODUCTION

The common agricultural policy (CAP) of the EU supports the European model of agriculture, which exposes the duality of its functions – apart from food production, it contributes to the broadly understood development of rural areas and provides public goods (Committee of Agricultural Organisations in the EU, 1999; Fischler, 1999). This model is based on family farms, a large part of which have a small scale of production. What is more, the observation of subsequent periods leads to a claim that a response to the policy designed in the 1960s was to change the objectives of the CAP and to adjust new solutions. This was the case after the first 30 years of its functioning, when it changed from a market and price policy to an income and structural policy, and then also to an environmental policy. It can be stated that at the EU level (including, first of all, the richest countries) the upper limit of any further 'pumping' of productivity has been reached. It turned out that economic efficiency cannot be the only criterion for assessing EU budget expenditures on agricultural policy, due to the peculiarities of the land factor and the role to be played by rural areas for the general public (Czyżewski and Polcyn, 2016; McDonagh et al., 2017).

Small-scale family farms have an important position in the construction of the CAP support (Stępień and Czyżewski, 2019). This is because under market conditions and without financial support, agricultural incomes in many EU countries are not only much lower than non-agricultural income, but also insufficient to cover current operating costs (Guth et al., 2020). In the process of shaping intermediate and final demand, small-scale family farms participate to an inadequate degree in the distribution of income due to the lack of internalisation, that is the inclusion of many costs (for example maintaining environmental well-being) and the absence of payment for public goods provided (biodiversity, landscaping, traditional food and others) (Thirtle et al., 2004; Marini et al., 2009; Babai et al., 2015). It is therefore true that the economic surplus generated by these agricultural producers does not meet the Pareto-optimal allocation criterion in input-output flows. In the supply chain this is partially intercepted by purchasers, processors, sellers and, finally, consumers. The consequence of the above-described interdependencies is the necessity to return that part of the added value which flows away from the raw material producers. This type of support is a compensation for the market discrimination of agriculture and is an important premise of the CAP. In this way, the failures of the market mechanism are corrected, which is justified from the point of view of economic efficiency, but also for social (income) and environmental reasons (Pe'er et al., 2014).

Family farms account for 97 per cent of the 12 million farms in the European Union (Eurostat, 2021) and a large part of them are small-scale units, located particularly in Central and Eastern Europe (Claros, 2014). Because of their contribution to sustainable rural development, specific support programs have been launched, reflected in the agricultural policy priorities for 2021-2027 (European Commission, 2021). In terms of direct payments, which are the main funding mechanism for the food sector, lump sum payment schemes have been created with simplified administrative formalities and exempted from certain environmental obligations. It is also possible to reallocate part of the total payment envelope to small and medium-sized entities (the so-called redistributive payment). Under the European Agricultural Fund for Rural Development (EAFRD), a special scheme is proposed

to enhance the sustainability of small-scale family farms, such as: value-added investments, investments in the development of processing or peri- and off-farm activities, the development of short supply chains and direct sales, participation in agricultural producer groups, cooperatives and other sectoral organisations, offsets for environmental commitments (Food and Agriculture Organization 2020). This pattern of support shows how important the position of small-scale family farming is in the rural development in Europe.

In the literature, one can find many positions indicating the importance of small-scale family farms and the role of the agricultural policy in supporting these entities. Such works have been published for years, both at the level of political institutions, such as the European Parliament (2014), the European Commission (2013), or the Council of the European Union (2013), as well as the scientific sphere (Hill, 1993; Christiaensen and Swinnen, 1994; Allen and Lueck, 1998; Darnhofer, 2010; Davidova et al., 2013; Matthews, 2013; Gioia, 2017; Stępień and Maican, 2020). They largely present quantitative analyses and modelling using publicly available statistical data (Eurostat, the Farm Accountancy Data Network FADN) or survey data. The aim of this publication is to find an answer to the question whether today's EU agricultural policy is really adapted to the needs of smallholder farms. However, unlike many publications, a qualitative analysis will be carried out here. Therefore, the study was conducted to assess the opinions of small family farms owners on the financial support within the EU common agricultural policy. Units with a high level of sustainability were chosen, as these are the ones that should be particularly targeted for EU support. Exploring perceptions and attitudes of producers on the concept of the CAP constitute the unique character of the research. Thanks to the use of the in-depth interview method, not only quantitative data were obtained, but above all a set of information of a sociological nature. To the best of our knowledge, qualitative studies covering this topic are rare, which makes a significant contribution to the subject. This approach made it possible to get to know the farmers' way of thinking, their motivations, and attitudes and to understand the determinants of the analysed entities' actions (Gaskell, 2000). Additionally, the nature of the assessed phenomenon enables the use of the in-depth interview to register many elements that could be omitted using other methods (the traditional questionnaire survey). Thus, the work forms a complementary part of research on the support policy for small-scale family farms, which is its main added value. The use of data from three different EU member states with a relatively high share of small farms – Poland, Romania and Lithuania – provides a basis for comparative analysis, which is a unique feature of the research.

## MATERIAL AND METHODS

### *Data set*

The analysis covered three countries belonging to the European Union, two of them – Poland and Lithuania – since 2004, Romania since 2007. The choice of these countries was not accidental, but resulted from the aim of the research. The authors focused on small-scale family farms, as this type of entity is typical for the CEE region. It is the effect of a similar path of economic transition of the countries belonging to the so-called Soviet bloc and the transformation from a socialist economy system to a market economy. A dual structure of agribusiness has emerged, with large-scale enterprises and small-scale family farms participating side by side. The latter, due to their multifunctional character, are crucial for the functioning of rural areas, hence the important question about the attitudes of agricultural producers towards sustainable development. As the three analysed countries are covered by the Common Agricultural Policy funds, the assessment of this support expressed by the beneficiaries are interesting.

Different definitions of a small family farm were used in the selection of units for the study. The literature most often points to criteria such as agricultural area, economic strength, number of animals, and market participation (European Commission, 2011; Guiomar et al., 2018). For example, very small farms can be defined as those whose agricultural area is less than 2 ha or 5 ha (Lowder et al., 2016), while small farms are those whose area

does not exceed 20 ha (Gruchelski and Niemczyk, 2016). In turn, Eurostat and FADN, by taking into account the classification of economic strength (SO[1]), apply the upper limit for small farms as 25 thousand euros. Additionally, in order to emphasize the family character of the farm and to exclude from the analysis those persons who, although possessing agricultural land, actually work outside agriculture, a criterion for the involvement of the family members' labour input in agricultural activities is adopted (Zegar, 2012). Thus, for the purposes of this study, the following criteria were adopted: an agricultural area up to 20 ha, standard production up to 25 thousand euros and at least 75 per cent of family members' labour inputs involved in agricultural activity.

In the first stage, the analysis was based on surveys conducted in Poland in 2018 and in 2019 in two other countries. The samples numbered 710 farms in Poland, 1000 in Lithuania and 900 in Romania. A purposeful and random selection of the research sample was applied. Data were collected in the form of direct interviews by agricultural advisors. Questions concerned four areas: general farm features, economic and social sustainability, environmental sustainability, and connections with the market. In the second stage, using these data, we ordered farms according to the synthetic sustainability measure (the methodology is presented in the next section). From each country, we selected the 20 most sustainable farms (the so-called Top-20). Among these entities, direct in-depth interviews were conducted. The interviews took place in 2020 and involved research project members and agricultural advisors. Therefore, in total, detailed information was collected from 60 farms from Poland, Romania and Lithuania. The Table 1 presents the basic statistics of the analysed units.

[1] The standard output of an agricultural product (crop or livestock), abbreviated as SO, is the 5 years average monetary value of the agricultural output at farm-gate price, in euro per hectare or per head of livestock

### *Methods*

The study was conducted in two stages. In the first stage, a synthetic measure of sustainable development of farms in Poland, Romania and Lithuania was determined. The base included farms among which questionnaire surveys were conducted within the research project 'The role of small family farms in the sustainable development of the food sector in the Central and Eastern European countries'. The surveys for the three countries covered 710, 900, and 1000 units respectively. The extracted variables used for measures of economic, social and

**Table 1.** Basic statistics for the 'Top-20' farms, 2020 (values in brackets for the entire population involved in the questionnaire survey)

| Farm characteristics | Average value | | |
|---|---|---|---|
| | Poland | Romania | Lithuania |
| Farm area (ha of UAA) | 13.4 (14.1) | 13.2 (12.1) | 10.3 (10.5) |
| Standard output (EUR/year) | 17.905 (12.830) | 12.650 (10.320) | 7.501 (5.614) |
| Household income (EUR/month) | 1.917 (1.843) | 1.219 (1.106) | 1.230 (1.022) |
| - only from agriculture | 1.076 (985) | 751 (693) | 533 (433) |
| Share of support in agricultural income | 35% (33%) | 57% (50%) | 55% (51%) |
| Estimated farm value (Ths. EUR) | 209.6 (n/a) | 25.7 (24.5) | 51.5 (49.7) |
| Estimated farm liabilities (Ths. EUR) | 6.6 (n/a) | 3.0 (2.6) | 0.4 (0.5) |
| Age of farm manager | 49 (49) | 46 (47) | 48 (48) |
| Level of education of farm manager | 4.6 (4.6) | 4.8 (4.5) | 5.1 (4.9) |

[a] Level of education in the range from 1 to 7, where 1 - no education, 7 - higher education

Source: own performance based on the interview

environmental balance in the case of stimulants were subjected to zero unitisation according to the formula (1), while in the case of the destimulants, formula (2) was applied:

$$\text{stimulant: } z_{ij} = \frac{x_{ij} - \min_i\{x_{ij}\}}{\max_i\{x_{ij}\} - \min_i\{x_{ij}\}}, (i = 1,2, \dots, n; j = 1,2, \dots, k; z \in [0,1]) \quad (1)$$

where:

$\min_i\{x_{ij}\}$ – minimum value of the j function,

$\max_i\{x_{ik}\}$ – maximum value of the j function,

i – object (farm in our case).

$$\text{destimulant: } z_{ij} = \frac{\max_i\{x_{ij}\} - x_{ij}}{\max_i\{x_{ij}\} - \min_i\{x_{ij}\}}, (i = 1,2, \dots, n; j = 1,2, \dots, k; z \in [0,1]) \quad (2)$$

where:

$\min_i\{x_{ij}\}$ – minimum value of j function,

$\max_i\{x_{ik}\}$ – maximum value of j function,

i – object (farm in our case).

Next, weights were determined for the selected variables using the CRITIC-TOPSIS method (designation of criteria by correlation between criteria). In this method weights are determined on the basis of standard deviations and correlations between variables. A specific feature of this method is that relatively higher weights are assigned to characteristics that have a high coefficient of variation but low correlation with other characteristics (Borychowski et al., 2020: 10362). The weights of the variables were determined according to the following formulas:

$$w_j = \frac{c_j}{\sum_{k=1}^{m} c_k}, j = 1,2, \dots, m; \; c_j = s_{j(z)} \sum_{k=1}^{m} (1 - r_{ij}), j = 1,2, \dots, m, \quad (3)$$

where:

$c_j$ – a measure of the information capacity of feature j,

$s_{j(z)}$ – standard deviation calculated from the normalised values of the characteristic j,

$r_{ij}$ – correlation coefficient between characteristics j and k.

The established normalised values of the variables were then multiplied by the respective weighting factors. Using the values of the variables after the weighting process, the Euclidean distances of the individual units from the development pattern and anti-pattern were calculated according to the following formulas (4), (5):

$$d_i^+ = \sqrt{\sum_{j=1}^{k} (z_{ij}^* - z_{ij}^+)^2} - distance\ from\ the\ pattern \quad (4)$$

$$d_i^- = \sqrt{\sum_{j=1}^{k} (z_{ij}^* - z_{ij}^-)^2} - distance\ from\ the\ anti - pattern \quad (5)$$

where:

$z_j^+ = (\max(z_{i1}^*), \max(z_{i2}^*), \dots, \max(z_{ik}^*)) = (z_1^+, z_2^+, \dots z_i^+)$

$z_j^- = (\min(z_{i1}^*), \min(z_{i2}^*), \dots, \min(z_{ik}^*)) = (z_1^-, z_2^-, \dots z_i^-)$

The value of the synthetic trait q1 was determined according to the following formula (6):

$$q_i = \frac{d_i^-}{d_i^+ + d_i^-}, (i = 1,2, \dots, n) \quad (6)$$

Table 2 presents the list of variables used in the CRITIC-TOPISIS analysis and the weights of individual elements. After determining the component measures of sustainability – economic, social and environmental, following the adopted method – a synthetic measure of development was determined for the analysed farms. In the final part of this stage, farms were ordered according to the synthetic measure.

The second stage of the research was qualitative and included in-depth interviews with a group of the most sustainable farms, the so-called Top-20, from Poland, Romania and Lithuania (20 in each country). The main objective of this analysis was to find out and compare the attitudes and opinions of the owners regarding the implementation of common agricultural policy tools. Results from the analysis provide a basis for assessing the effectiveness of CAP and deliver an argument for designing the correct structure of objectives and instruments. The research focused on the individual perspective and on the individual's interpretation of reality, according to the so-called interpretivist paradigm (Konecki, 2000). The aim is to know and understand how the individual perceives the world around and to interpret events in terms of the meanings people ascribe to them (Denzin and Lincoln, 2000). Consequently, most of the questions were open-ended, providing the opportunity for broader, free and unconstrained expressions.

**Table 2.** Variables used to determine the synthetic measure of sustainability of surveyed farms in Poland, Romania and Lithuania

| Sustainability component | Variable name | Variable type[a] | Weight of variable for the individualsustainability component | Weight for the synthetic measure of sustainability |
|---|---|---|---|---|
| Economic | Income gap indicator (difference between average income in the national economy and total income of the agricultural holding) | D | 0.1280 | 0.3304 |
| | Subjective assessment of the household's financial situation | S | 0.3398 | |
| | Level of agricultural investment | S | 0.3356 | |
| | Estimated market value of the holding | S | 0.1967 | |
| Social | Dwelling/house furnishing index | S | 0.1819 | 0.3089 |
| | Usable floor area of dwelling/house per family member | S | 0.0959 | |
| | Participation in lifelong learning system | S | 0.1511 | |
| | Participation in social or cultural events | S | 0.2823 | |
| | Membership in an organisation, club, association etc. | S | 0.2887 | |
| Environmental | Livestock Units (LSU) per ha of UAA[b] | D | 0.1383 | 0.3608 |
| | Monoculture index | D | 0.2730 | |
| | Eco-efficiency (according to DEA) | S | 0.1133 | |
| | Share of forest in the farm area | S | 0.0315 | |
| | Share of permanent grassland in the farm area | S | 0.0784 | |
| | Share of arable land covered with vegetation during winter | S | 0.1992 | |
| | Balance of soil organic matter[c] | S | 0.1664 | |

a Variable type: S – stimulant, D – destimulant

[b] Livestock Unit (LSU) - is a reference unit which facilitates the aggregation of livestock from various species and age.

[c] Calculated according to the methodology of the Institute of Soil Science and Plant Cultivation in Pulawy, Poland.

Source: own performance

This scheme of the survey allowed the authors to juxtapose the opinions of the respondents with the views and results of analyses commonly found in the literature. The interview concerned the following queries:

- Do you consider the received support (financial and non-financial) as sufficient? Please give reasons for your answer;
- If you could change the support structure, to what extent – the amount, direction, forms of support? What barriers do you observe in the access to financial/non-financial support?
- Do you think that higher support should be connected with additional activities on the part of the holding? If so, which ones?

For some of these questions, labels were created and the survey results were coded according to them, which facilitated the comparative analysis of results between countries. The SPSS Statistics program was used for this purpose. If the number of respondents to a given question was smaller than the total sample of households from a given country (that is N = 20), then information about the sample size was included in the tables, giving N.

## STUDY RESULTS

The focus was placed on assessing the impact of financial support on the economic situation of the analysed farms. The highest percentage of Polish farms owners (55 per cent) considers the current financial income support as sufficient. A slightly lower percentage occurred in Romania (45 per cent), and by far the lowest (only 20 per cent) concerned Lithuania (Table 3). Thus, Lithuanian farmers are the least satisfied with the current level of agricultural income support. 29 out of 60 farms in total expressed a preference for changing the level, direction or form of support, with the higher level of support being the most frequent indication. Such an answer was given by all such farms from Romania, half of the farms from Poland, and slightly less from Lithuania. Responses for the level of uplift generally ranged between 20-30 per cent, which would make their production profitable. Seven farms declared that the change of support direction would be important, giving priority to objectives such as additional financing to special production sections (usually milk, beef, goats, and sheep), peri- and off-farm activities and special landscape maintenance payments. Only two owners would expect a change in the form of support from financial to non-financial (advisory, promotion of traditional products). It may be assumed that at the present stage small-scale farms expect mainly a financial incentive to carry out their agricultural activity.

Polish farmers who consider income support insufficient believe that large farms receive much more, especially in Western European countries and they would expect the aid to actually be equalised. It is also common to find the view that subsidies would not be necessary if prices were higher and more stable. All the more so as producers note that subsidies create social antagonism. This is especially clearly indicated by three statements from Polish farmers, namely: 'we would even prefer that there was no support, only an appropriate price, because subsidies give rise to urban-rural antagonisms', 'subsidies only give rise to quarrels in society', 'city dwellers say we get money for nothing, so we'd better not get it'. Polish farmers also point out that subsidies lead to price increases, for example for fertilisers just before the harvest. At the same time they emphasize that if support is higher, it allows them to invest in the liming of soil, or drainage (two statements).

Farmers from Lithuania, just like farmers from Poland, note that if prices were higher, support would not be needed. They also note that: 'currently small farms need support, which should be paid in the form of direct payments, otherwise small farms will not survive'. At the same time, 'small farms should have priority in receiving higher financial support'. Romanian farmers point out that if the amount of financial support was higher, one could: 'buy more land' (two indications), 'diversify agricultural production and open a restaurant' (one statement), 'diversify agricultural production and increase livestock' (as many as seven indications). On the basis of these statements, it can be concluded that regardless of the country in which the research was carried out,

higher support would influence the implementation of investments in small farms. Farmers generally also agree that the current system of income support is unfair, because it favours large farms at the expense of small farms. It is also worth mentioning that the farmers surveyed, irrespective of the country, complained about too much bureaucracy in applying for subsidies under the second pillar of the CAP, which is a significant barrier in access to financial resources. In their opinion, applying for other support (apart from direct payments) is too difficult, and involves too many requirements and obligations. In their opinion, too many controls and lack of capital are also a hindrance. In their opinion, 'all support should be distributed only via simple direct payments, then there would be no abuse, less bureaucracy, and it would be possible to buy what a farm needs most'.

As regards the opinion on whether higher support should be linked to additional farm activities, the distribution of answers varied. However, in all the analysed countries there was a predominance of opinions that the additional support should not be conditional on such actions. Such indications were given by 45 per cent of agricultural farms in Poland and Romania, and 55 per cent of farms in Lithuania. In general, farmers argued that they do a lot for the environment, biodiversity, landscape, etc. anyway, compared to large farms, and therefore it would not be fair to burden them with additional requirements.

However, a relatively small percentage of farmers claimed that additional support should be conditioned by undertaking additional activities. In particular, two statements from Poland are interesting, namely: in view of the social antagonism which results from the subsidies

**Table 3.** Owners' opinions on small scale farm support

| Do you consider the obtained support (financial and non-financial) for the farm sufficient? | | | |
|---|---|---|---|
| Country | Yes | No | I don't know/I have no opinion |
| Poland | 55.0% | 30.0% | 15.0% |
| Lithuania | 20.0% | 50.0% | 30.0% |
| Romania | 45.0% | 45.0% | 10.0% |
| Total N=60 | 40.0% | 41.7% | 18.3% |
| If you could change the support, what would this change concern? (only farms dissatisfied with the level, direction or form of support) | | | |
| Country | Level of support | Forms of support | Direction of support |
| Poland (N=8) | 50.0% | 12.5% | 37.5% |
| Lithuania (N=9) | 44.4% | 11.1% | 44.4% |
| Romania (N=12) | 100.0% | 0.0% | 0.0% |
| Percentage of all 60 farms | 33.3% | 6.7% | 8.3% |
| Do you think that higher support should be associated with additional activities of the farm? | | | |
| Country | Yes | No | I don't know/I have no opinion |
| Poland | 30.0% | 45.0% | 25.0% |
| Lithuania | 5.0% | 55.0% | 40.0% |
| Romania | 35.0% | 45.0% | 20.0% |
| Total N=60 | 23.3% | 48.3% | 28.3% |

Source: Own performance based on the interview

paid, they believe that 'there should be additional requirements, so that people do not say that subsidies are for free'. In Poland, there were also some farmers who thought that support could be increased for those farmers who actually take action for the environment (three indications). Besides, farmers from this country indicated that higher, additional support could flow to developing farms, for example in the form of interest payments, or increased support for farm development activities, like processing, or there could be additional support for production of specific species, rare breeds of animals. In turn, according to Lithuanian farmers, additional support should be given to non-traditional activities. Also, additional activities such as rural agritourism or other alternative rural related activities could receive additional support. On the other hand, a few farmers from Romania claimed that higher support should be linked to different on-farm activities, for example related to cooperation, establishment of restaurants, or to the development of local vegetable sales.

In conclusion, small farms' owners are rather satisfied with the current income support. As they declare, its increase would result in allocating additional funds for investment purposes, which should be assessed positively. Farmers also perceive the social antagonism that the agricultural income support system causes between 'town and country'. In their opinion, the increase in prices of agricultural products, and thus the distribution of support by the market system, would reduce these antagonisms. Farmers also unanimously believe that under the current support system they are depreciated relative to large farms. They also often note that support leads to an increase in prices of agricultural inputs, which means that in real terms incomes remain unchanged despite CAP funding. This premise is crucial for the programming of the future intervention system.

## DISCUSSION

The necessity of income support for small family farms in EU countries is an indisputable issue when it comes to their vitality and resilience and in general the sustainable rural development. This is indicated by scientific studies (Czyżewski and Stępień, 2017; Brown et al., 2019; Guth et al., 2020) as well as by political declarations (European Commission, 2017a; European Parliament 2020). Many authors also argue that there is insufficient support for this group of actors (Davidova and Thomson, 2014; Pe'er et al., 2017; Volkov et al., 2019). This may be due to the fact that direct payments, which are the main element of financing the agricultural sector in the EU, are calculated on the basis of the eligible farm area. Hence, a disproportionate share of payments goes to the largest farms, giving rise to criticism of the system (Matthews, 2016; Scown et al., 2020; Grochowska et al., 2021), and this is also the feeling of the interviewed farms. Nevertheless, according to the interviews, in Poland and Romania, the majority of respondents declared that the multiplicity of support is sufficient for them, which indicates rather the need to adjust the system of subsidies towards a more equal distribution rather than to increase the amount of funding. Moreover, increasing the amount of support could result in additional requirements for the beneficiaries, which is opposed by a large number of respondents from the analysed countries. However, additional requirements could be necessary to sanction higher subsidies, otherwise there is a risk of new antagonisms in rural - urban relations. This problem was pointed out by several farmers from Poland and Romania. Only in Lithuania did the respondents expect higher aid, which may be due to the fact that this country (among the respondents) has the lowest payments per hectare (European Commission, 2020). Besides, only in this one of the three countries, was a special scheme of support for small farms under CAP Pillar I not implemented, which may result in lower access to funds. This confirms the legitimacy of creating specific programmes for small-scale farms. At the same time, as confirmed by our research, these tools must be simple, and easy to operate, with simplified administrative procedures. Administrative requirements, next to high land prices and low profitability of production, are indicated by farmers in the EU as the main barriers for operation in the agricultural sector (European Commission, 2017b).

Some farmers participating in the interviews claimed that the profitability of agricultural production could result not only from the support system, but also from higher nad more stable market prices. Such an approach is fully understandable given the relative income deprivation of agricultural producers in relation to persons employed outside of agriculture, as well as the income differentiation between farm size classes, to the disadvantage of smaller units (Smędzik-Ambroży et al., 2021). This is largely the result of the weak bargaining position of small farms in the supply chain (Canning, 2011; Davidova and Thomson, 2014; Mulligan and Berti, 2016). Improving this position is one of the key determinants of the economic condition of family farms, as indicated in the study for Poland (Stępień et al., 2021). Farmers also emphasized that the reason for the low profitability of their activities is a high level of production costs, as an effect of subsidizing agriculture. It must be admitted that the respondents read market signals well, as similar conclusions are presented in scientific studies (Poczta-Wajda, 2015), although it is emphasized that the shift from input support into decoupled area payments as a part of the CAP reduced the upward pressure on input prices (Rizov et al., 2013). Nevertheless, it can be expected that any type of subsidies crowd out innovation, since they reduce incentives to improve productivity and implement technological solutions (Attalah, 2018).

## CONCLUSIONS AND RECOMMENDATIONS

Through the example of small farms from Poland, Romania and Lithuania, it has been shown that financial support of small-scale farms is regarded by the owners as an important element of sustainable development, both from an economic perspective and for the fulfilment of social and environmental functions. The need for financial support for these farms is in accordance with the European model of agriculture that exposes the dual function of agriculture in Europe – besides food production, it contributes to the broadly understood evolution of rural areas and provides public goods. The necessity of financial support is also emphasized by the fact that the basis of the European model of agriculture is family farms, a large part of which have a small scale of production. The three countries surveyed with fragmented agriculture are such an example.

The results of the research make it possible to formulate several recommendations concerning financial support for small farms in the EU. According to them, the current lump-sum support should be kept as it is easy to take and positively assessed by farmers. On the other hand, farmers expect the introduction of new solutions for farms willing to invest, first of all, in the scope of strengthening their position in the supply chain, which allows them to grow transaction prices without requiring additional income support in the long run. A beneficial aspect of such a solution is a reduction of antagonisms in the urban-rural relations, the causes of which lie in the direct income support of agriculture being negatively assessed by urban residents.

Therefore, we may conclude that the common agricultural policy of the EU should be oriented towards instruments allowing only temporary direct support for agricultural income and investments in this sector, so that, as a result, a segment of competitive small farms could develop, leading to local sales, agricultural retail trade, small processing, restaurants, etc. Paradoxically, such a solution is also served by changes in food consumption trends during the COVID pandemic that is eating at home, using local food supplies and buying food at local markets. Apart from the financial support, in accordance with the farmers' expectations, it is also postulated to support the development of the rural infrastructure and agricultural advisory services concerning for example the application of new technologies, including artificial intelligence solutions.

The applied research approach allowed us to get to know farmers' ways of thinking, their motivations, and attitudes and to understand the determinants of their actions. Despite its notable contributions, our study has certain limitations. However, it should be kept in mind that the sample of respondents included these farms which obtained the highest degree of sustainability in terms of their economic, social and environmental sustainability and that we took into account only 20 cases from each country. We suggest that future research

should pay significantly more attention to the role of small farms with different degrees of sustainability, which will allow to determine whether the results of the analysis can be generalized to the entire sector of small-scale family farms from countries with a fragmented agrarian structure in the EU.

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