SUMMARY

Dissertation titled "Financial Determinants of Profitability of Individual Farms: Case Study of Farms Growing Specialty Crops in the Sweet Pepper Basin" written by Anna Kopytowska, M.A., is theoretical and empirical by nature. It consists of five chapters.

Chapters from one to four are based on studies on source literature devoted to the subject addressed in the thesis. Literature sources include a wide body of diverse and interdisciplinary Polish and foreign publications; the latter include English and German language literature. However, the majority of references are made to Polish sources, which discuss significant and meaningful research achievements in the area of profitability of individual farms. Theoretical part examines numerous scientific publications, such as books, papers, and studies available in specialist journals; it investigates into regulations binding in the Polish law, in the law of individual EU Member States and in the EU legislation, as well as documents published by the Agency for Restructuring and Modernisation of Agriculture, Ministry of Agriculture and Rural Development, Statistics Poland, and other national and EU institutions. At this stage available writings were analysed and evaluated to demonstrate the purpose of adopting this original and innovative approach to the issue at hand. The effort was undertaken to find out what has already been written about profitability, what aspects cannot be found in literature but should be examined, as well as to identify the research value of the solution proposed to the research problem. Using analytical methodology, theoretical chapters are seeking to understand challenges faced by individual farmholds but also to identify specialty crops, as well as diverse methodologies and purpose of assessing farmers’ income. These chapters discuss determinants that impact the profitability of farms, explain what institutional players are engaged in the EU Common Agricultural Policy, and what financial support is offered to individual farms. Chapters two and three address the core of the subject and describe how farms profitability is determined from the legal and institutional perspective, including the profitability of growing specialty crops. The four chapters provide the point of departure for further studies and analyses taken up in the fifth chapter, which is an empirical one.

The major proportion of the dissertation is based on the author’s own studies. They focus on the issue the most relevant to individual farms, that is, their profitability viewed in the context of eligibility to apply for EU funds. Research studies were carried out using the questionnaire-based interview method. Interviews were conducted with farmers who grow specialty crops (vegetables) in the Sweet Pepper Basin (Polish: Zagłębie Paprykowe) and who benefited from
the EU subsidies under the Rural Development Programme, measure “Farm Modernisation” in 2016 and 2018. They could be reached with the help of organisations operating in the Sweet Pepper Basin which help in drafting applications for EU funding.

The examination of profitability of farms based in the Sweet Pepper Basin was neither simple nor easy. Difficulties were posed by the lack of access to specific theoretical sources that would approach the issue from strictly financial perspective, as well as by the unavailability of any data concerning the region covered by the research.

This work demonstrates huge impact of the wide spectrum of financial instruments and initiatives available to farmers under the EU Common Agricultural Policy on the growth of the agricultural sector in the EU Member States. In Poland the major CAP instruments include direct payments and the Rural Development Programme, which was examined and assessed.

The above mentioned assessment has led to the conclusion that eligibility criteria applied to award subsidies are imperfect, which is why many successful and vibrant farms stand no chance of receiving any EU financial support. The problem has been illustrated in this dissertation on the example of individual farms operating within the Sweet Pepper Basin, a small agricultural area located in four communes in the Mazowieckie Voivodeship. The area is very specific as it hosts specialty crops, a relevant sector of the Polish economy. The main players in the Sweet Pepper Basin are individual farmers who grow specialty crops, mainly sweet pepper, in plastic tunnels. The Sweet Pepper Basin is a region that should receive special treatment as an area exhibiting a visible upwards tendency of vegetable production.

Research studies carried out for the needs of this dissertation have shown that since 2010 we can observe a strong trend of expanding the area of farms covered by specialty crops grown in plastic tunnels. Dynamically developing production of specialty crops in the Sweet Pepper Basin results in high profitability of farms located therein. Thus, it is a rich region, worth investing in as farmers can afford expensive investment projects that contribute to further increases in income and, consistently, to the growth of the domestic and European economy.

This work answers the question whether we should support thriving, high income farms or focus on assisting underperforming ones which do not generate high income. This question, the point of departure for studies conducted for this dissertation, together with the above presented statistical data testify to the relevance of the research problem taken up in this work as its core focus.

The main goal of the dissertation is to identify financial factors determining the profitability of individual farms from the Sweet Pepper Basin, which impacts their eligibility to apply for
the EU subsidies. Alongside with the main goal defined in the above presented way, the author formulated detailed goals and all of them have been successfully achieved. Financial determinants of profitability of individual farms have been identified from the perspective of being able to apply for the EU funds. They are described for the Sweet Pepper Basin region that grows specialty crops. It turned out that besides financial factors, there are many non-financial ones.

The research problem addressed in the dissertation was defined in connection with its goal and encapsulated in the following question:

**What financial factors impact the profitability of individual farms in the Sweet Pepper Basin which, in turn, impacts their eligibility to receive EU funding under the Rural Development Programme?**

The main question was expanded with a number of supplementary questions that have been answered in this dissertation.

Based on the analysis of subject matter literature and author’s knowledge on the issue the main hypothesis together with auxiliary hypotheses were formulated and validated.

The main research hypothesis that the author sought to validate states that:

**EU funds and profitability of growing specialty crops are financial determinants of the increase in profitability of individual farms from the Sweet Pepper Basin.**

EU funds allocated to farmers enhance the profitability of their farms but to be eligible to get access to these funds they have to meet certain criteria. The most important financial factor is high profitability of farms at the time when they apply for subsidies. Different methods used to calculate the profitability of farms from the Sweet Pepper Basin have revealed the same financial determinants of their performance.

Auxiliary research hypotheses read as follows:

I. There are non-financial factors which impact the income of individual farms;

II. The fact of growing different specialty crops in one farm does not impact its income; income is determined by the type of specialisation.

III. Uniform approach of the institutional system to individual farms growing diverse specialty crops exerts negative impact upon their operations and chances of receiving subsidies.

IV. Score based criteria applied in awarding EU funds earmarked for individual farms disregard the fact of growing specialty crops and profitability while they take account of
the change of production profile which negatively impacts the income of growers of specialist crops.

Studies and analyses conducted in relation with the dissertation have helped in validating all of the adopted research hypotheses (the main hypothesis and auxiliary ones). It has been confirmed that the main determinants of increased profitability of individual farms in the Sweet Pepper Basin are EU funds, in particular the size of planned investment projects subsidised from these funds, and high income generated by the farms in question. The analysis of diverse methodologies used to calculate farmers’ income when applying for funds from the Rural Development Programme has revealed the same financial factors – determinants of profitability.

Results of studies collected for the purpose of this dissertation have been used to formulate conclusions concerning financial determinants of profitability of individual farms from the region growing specialty crops.

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