

SMALL FARMS MANAGED BY YOUNG FARMERS UNDER NEW „FARM-TO-FORK” STRATEGY



Edited by

Wawrzyniec Czubak, Karolina Pawlak, Pavel Kotyza

 **CEDEWU**



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Authors:

Vilma Atkočiūnienė

David Brož

Dávid Červený

Wawrzyniec Czubak

Milan Jurky

Ilona Kiaušienė

Krisztián Kis

Pavel Kotyza

Zdeňka Náglova

Sándor Nagy

Karolina Pawlak

Patrik Rovný

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Reviewed by: Marek Wigier, PhD, Associate Professor, Institute of Agricultural and Food Economics – National Research Institute
Sebastian Stepień, PhD, Associate Professor, Poznań University of Economics and Business

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7.4. Expectations of young farmers running small farms towards the agricultural policy

*David Brož, Milan Jurky, Wawrzyniec Czubak,
Vilma Atkočiūnienė, Jurgita Zaleckienė, Ilona Kiausienė,
Sándor Nagy, Krisztián Kis*

Czech Republic

Reducing the amount of bureaucracy, due to the new CAP set-up, is one of the most important expectations of young farmers. The new CAP conditions will prohibit a whole range of good agronomic practices such as a significant limitation of ploughing to 20% of agricultural land. Young farmers regard this purely political decision, without understanding of its real context, as tendentious and unnecessary. Ploughing is the basis of good agronomic practices, and such a regulation may be perceived as discriminatory to all the member states. This is related to the issue of soil cover due to nitrogen deposition, where there is a requirement for soil cover for almost entire year. Agriculture will be responsible for carbon storage for the whole industry starting from 2023. The only exceptions to the use of tillage are clay soils under organic farming where root crops, root or tuber vegetables are grown.

Another major measure with implications for whole-farm ecopayment (good land management practice) will be buffer strips around watercourses, up to 6 metres of basic and up to 12 metres of 'premium' - paid - soil block.

For severely erosion-prone land, the maximum size of one plot will be 10 hectares. For non-endangered and moderately endangered land it will be 30 hectares. Standard 8, or non-productive land, has elicited the most mixed reactions among young farmers. This is where at least 4% of the land will need to be covered by landscape features with fallow and buffer strips or at least 7% including intercropping or nitrogen fixing crop area with a minimum of 3% being landscape features, fallow and buffer strips. Paradoxically, organic farmers will not automatically comply with this condition.

Another crucial element are the subsidies dedicated for young farmers. As regards the support for young farmers in the area of direct payments and especially investment measures, the rate for direct payments will be doubled from the original 70 EUR to 140 EUR. Initially only 35 EUR was paid from

2014 and there will be a gradual increase up to 140 EUR per hectare from 2023. This is a 4-fold increase in the rate up to a total area of 90 hectares. The rate is paid annually on top of the SAPS (direct area payment).

An issue that has caused conflicting reactions is the support for investment through measure 6.1.1 – *Investment in agricultural holdings*, currently set at a flat rate of 45 thousand EUR per year. This includes either approx. 2 hectares of special crops (fruit vegetables) or 20 hectares of cereals or several large livestock units in order for the applicant to enter the measure. The new conditions will provide for an amount of 58 000 EUR per applicant. In the case of processing of agricultural production in a specialised plant, the amount will be increased to 78 000 EUR per applicant. A solution for eligible expenditure is currently under negotiation. The amount of the subsidy is now divided into several categories, according to which eligible expenditure can be applied as a percentage, which significantly limits the project plans of applicants. We hope that the adjustment of the national rules will be successful and will be beneficial for new start-up farmers.

Slovakia

Slovakia is a specific country. Despite the fact that we became members of the European Union in 2004, negative consequences originating from the socialist regime still prevail. Since our Association of Young Farmers in Slovakia – ASYF is a member of the Council of Young Farmers of Europe CEJA, we draw a lot of inspiration from there. Many countries that were severely affected by the communist regime (e.g. Poland, Slovenia, Hungary,...) very quickly started their state agricultural policy and got rid of the negatives of socialism. That is why these countries see agriculture as one of the main pillars of their economy. Family farms operate there and, of course, this also results in a generational change, where young farmers take over the farms from their parents. In order for the Slovak Republic to build long-term, sustainable agriculture, it is necessary to make fundamental changes and reforms. The common agricultural policy of the European Union can help in this respect, which, when set correctly, can change the direction of agriculture even if some Slovak political representatives do not like it. The strategic plan of the Slovak Republic responds to realistic starting points and sets goals, which include higher production, employment, competitiveness, sustainable processing industry, higher self-sufficiency and also pays great attention to young farmers.

A big positive is that for the first time such an important document as the Strategic Plan of the Common Agricultural Policy was discussed by a wide range of professionals and experts, while it was open for public discussion.

The strategic plan focuses on three main problems of young farmers: access to land, access to investments and stronger support for smaller producers. Better distribution of payments, more money for investments, greater orientation towards production, productivity and sale are required. Also new financial instruments were introduced. All those elements should bring better conditions for young farmers. Generally most of the tools are directed towards increasing the production scale. Several financial instruments are planned, such as a reduction in interest rates or guarantees from the state. They intend to support smaller projects, build a transparent, more efficient system and eliminate bureaucracy.

When everything is implemented as set out, young farmers are supposed to be better off. What young farmers expect the most are financial instruments to support young farmers – state guarantees, interest rate subsidies and the third, most important instrument is the remission of part of the principal. This is heavily called for because it is a very flexible tool. In addition, the payment per hectare is very important, which used to be 60 EUR per hectare for the first 28 hectares. They expect that under the new CAP it will be 100 EUR for the first 100 hectares.

Land is a limiting factor for many beginning farmers. This is also confirmed by a survey by the ASYF association, which, based on the experiences of its members, defined the biggest barriers that a young farmer must overcome. There are five of them, and the first one is access to land. Farmers will needlessly be supported financially when they do not possess land. Access to own land, leased area and state land is needed.

The second barrier is finance for investment: direct payments are low, project support is unavailable and banks do not trust the farmers at the initial state of the business development. The situation should be solved by new financial instruments, including project support and access to bank loans.

The third serious barrier is sales, which is solved by the support of direct sales on the farm, support for processing on farms and regional sales associations. The last two barriers are the enlightenment of rural life so that agriculture becomes a part of rural life and education.

Young farmers' expectations for the new Common Agricultural Policy 2023-2027 are high. Since the goals of the farm-to-table strategy are also ambitious, this is what gives room for new business opportunities to be seized by young and beginning farmers. However, we are concerned that if we want to set up sustainable agriculture, we have to get our house in order in Slovakia. It is certainly known that the corruption scandals that manifested themselves in full in 2018 pointed out that many groups profit from the mess in the records of ownership and use of agricultural land. This mess is due to the fact that 90% of the land in Slovakia is used on rental contracts. It is common knowledge that behaviour towards own property is different from behaviour towards rented property. This results in a decrease in biodiversity as well as a loss of the humus component to the soil. However, some groups are comfortable with this state of affairs and thus they are still putting pressure on the main representatives of the government as well as the governing body to implement only cosmetic changes instead of real reforms and it will look like a reform in Brussels. An example is the ceiling, which Slovakia applied despite the fact that it is voluntary, which we welcome. However, we are very concerned that several agricultural enterprises are doing everything to avoid capping direct payments. Since the size structure of Slovak farms far exceeds the European Union average (Slovak average is 102 hectares per farm), many companies will want to avoid the ceiling by dividing their farm into smaller ones. It is for this reason that our association has been pushing for the introduction of an institute to monitor the end user of benefits from the beginning. Unfortunately, despite promises and numerous meetings with representatives of the department, we have not yet managed to implement this idea.

The strategic plan rarely includes digital technologies for the use of precision agriculture. It is young farmers who are ready to bring new ideas, as well as new and gentle ways of managing agricultural land. It is a big shortcoming, since Slovak agriculture is unstable, young farmers need to target resources and investments on efficiency and precision.

In the situation that energy and fuel costs are increasing, our country can provide reserves that it still has, for example, the unused roofs of agricultural buildings, on which photovoltaic panels could be placed and thus increase the farmer's energy self-sufficiency.

Young farmers positively perceive the possibility to reduce the basic payment per hectare and to introduce additional payments aimed at

supporting disadvantaged applicants. Such payments are e.g. redistributive payment, which will be provided in full (100 EUR/ha) for all applicants for the first 100 ha. The area, on which payment for young farmers can be drawn (100 EUR/ha) will be increased from the current 28 ha to the average farm size in Slovakia, i.e. 100 ha.

One of the barriers of young farmers that can exclude potential beneficiaries from the Common Agricultural Policy is access to credit. Therefore, young farmers positively assess the introduction of financial instruments that should make it easier for young and small farmers to obtain short-, medium- and long-term loans, which farmers can use for investments in equipment, buildings and land purchases. Another positive aspect of the policy intervention is that the maximum possible area of one plot will be limited, which will cause greater biodiversity and ensure necessary water retention measures.

The new strategic plan should provide farmers with certainty and especially predictability, which they have lacked the most. It would be a patch for a situation where farmers were left disappointed that they did not receive any funds from the recovery plan.

Poland

The situation of young farmers is widely recognised in the agricultural policy. This is due to several specific features characterising generation exchange in Polish agriculture. First, there are the consequences of high fragmentation of agriculture. The decision to take over a small farm between generations is no longer obvious. This causes parents to stay on the farm much longer and generally ageing of the farming population. This is one of the problems not only of Poland, which is why support for generational changes will be one of the nine main objectives of the EU's CAP for the years 2021-2027. The aid will concentrate on small and medium-sized farms and on encouraging young people to take up farming (Dudek and Wojewodzic, 2021). Secondly, the professional activity of older farmers is lower, there is a weaker understanding of the factors in globalising agricultural markets. Above all, it is more difficult to implement innovative, modern solutions in agriculture. This generates social problems on a microeconomic scale, creates areas of exclusion from even fundamental innovations, and – in mesoeconomic terms – affects losses of production potential. From the point of view of the agricultural policy, it is

much more challenging to achieve ambitious goals, including environmental and climate goals, in cooperation with the older generation.

On the other hand, young farmers in Poland have several expectations towards the agricultural policy. These expectations for targeted support for young farmers include financial assistance to start and grow their businesses. Young farmers need access to land at affordable prices. This could be achieved through government programs that support the land market institutions and social guarantees for older farmers while transferring land to younger farmers. One of them is also support in strengthening their position in the food chain. In agribusiness development, it means relevant positions in the market for raw materials for production and final products.

Despite the generally low capacity of small farms managed by young farmers to produce on a commodity scale and the fact that they cannot compete in global markets, they have many advantages that can be exploited, especially on a local and regional scale (Czekaj et al., 2020). It is the small farmers who are most often engaged in the production of local, traditional, niche products, and it is precisely because of this that the farms they run are beginning to perform at the same time educational, experimental, training functions, promoting new eating patterns. Such activity should also be the focus for the agricultural policy. It is important to create conditions for their greater productive activity in local food markets and provide non-agricultural services.

Excluding domestic demand for agricultural goods, market enlargements can be achieved through government marketing programs that oversee promotion of Polish agricultural products. Concentration of modernity in selected geographic areas can lead to the creation of regions of exclusion. Young farmers farming in less developed regions often face additional challenges, such as limited access to markets and services. Unfortunately, that may lead to the phenomenon of disagrarisation (Wojewodzic, 2014; Stanny et al., 2018).

In response to the above-mentioned needs of smart development based on innovation, young farmers are often at the forefront of innovation in agriculture. The government should support their efforts to develop and implement new technologies and approaches to farming. The innovative progress is not only a pure technical issue, but also human capital. Young farmers need access to high-quality education and training programs in agriculture. From the

policy perspective, this is a key element in implementing modern solutions, but also in understanding the contemporary challenges facing European agriculture. Generally, young farmers are increasingly interested in farming in environmentally friendly ways, which is one of the current expectations of agricultural policy. The government should support their efforts through programs that promote sustainable agriculture practices.

By meeting the expectations of young farmers, the Polish government can help to ensure that the next generation of farmers can succeed. Young people in rural areas are interested in support related to improving competitiveness of agriculture, such as investment in fixed assets; establishment of producer groups, instruments to support non-agricultural activities, development of direct sales, knowledge transfer and information activities. In this regard, the EU CAP actively supports young farmers through both Pillar I and Pillar II instruments (Nowakowska, 2015). Such initiatives were offered in the 2014-2020 programme and currently in the 2023-2027 prospective programme, enabling young farmers to make investments (e.g. purchase of agricultural machineries and equipment, construction and modernization of farm buildings and establishment of orchards or plantations (Parlińska et al., 2014). This is important for the future of Polish agriculture and the entire national economy.

Lithuania

In Lithuania the percentage of medium-sized and larger holdings was increasing between 2018 and 2022; however, in 2022 the predominant holdings were still those with a land area of 1-5 ha, which account for 41% of the total number of holdings. About one-fifth of the total number of holdings are farms of 5-10 ha. Large holdings have the smallest share: holdings with 200-300 ha account for 0.53%, 300-500 ha for 0.35% and over 500 ha for 0.26% (Žemės ūkio..., 2022). While young farmers can start farming more easily because some of them inherit farmland and can count on the support and advice of relatives to help them succeed, Lithuania has the smallest number of farm managers under the age of 40 – only 12% in 2022. This share has remained unchanged for the past few years. Meanwhile, in 2022 farm managers between the ages of 41 and the age of retirement accounted for 51% of the total number of managers and 37% of the total number of managers are in the age of retirement. Thus, the small number of young farmers in Lithuania hints at the uncertain future of agriculture.

Young Lithuanian farmers often face financial, administrative and land acquisition problems (Lietuvos Respublikos Žemės ūkio ministerija, 2021). The availability and price of arable land, agricultural business requiring investment versus unfavourable conditions for bank loans, administrative burden and income uncertainty make young people seriously consider whether it is worth starting an agricultural business.

Most farmers belong to associations or actively cooperate with other farmers. However, the prevailing opinion is that cooperation is a complex matter and it is difficult to find a compromise. Although innovative ideas emerge from communication, argumentation and discussion, farmers are more inclined to work individually than to join groups that unite them. This shows that farmers are not open and focus all their attention on solving the problems of their farm and its development. Farmers usually join associations because these organisations create conditions for improvement, you can listen to specialized lectures or expect representation of your interests in the Ministry of Agriculture. Farmers also expect easier conditions when selling their products or purchasing the resources they need. There are no high expectations related to the decisions taken by the government, but the frequent use of financial support by farmers confirms that the aid is necessary and helps the farms to remain resilient and viable.

One of the most active associations in Lithuania addressing the problems of young farmers is the Lithuanian Young Farmers' and Youth Union (LYFYU). The LYFYU unites and represents the interests of Lithuanian young farmers and active rural youth in order to maintain the Lithuanian identity. It identifies and solves problems relevant to rural youth at the national and international level (Lietuvos jaunųjų ūkininkų ir jaunimo sąjunga, 2022). Vytautas Buivydas, Vice-Chairman of the Chamber of Agriculture, Head of the Lithuanian Young Farmers' and Youth Union, emphasizes that uncertainty about the future, warnings of a crisis, the coming difficult year, the scarcity of energy resources, the cost of fuel, gas, and electricity, are discouraging for the establishment, investment, and modernisation of farms. This is why we need the possibility of borrowing and access to working capital for current expenses. This is something that is being discussed both with young farmers and with the Ministry of Agriculture (Valstietis, 2022).

The Lithuanian Young Farmers' and Youth Union focuses on the distribution of financial support. The organisation advocates that young people need help

by the government action to support young farmers. The main arguments are (LR Žemės ūkio rūmai, 2020):

- investments in agriculture must be long-term, and supporting young farmers is an investment in the future;
- young people often do not have the funds to purchase a farm, so the land will become more and more concentrated in the hands of large farmers;
- it is necessary to create conditions for young farmers to run a business and grow stronger.

There are opportunities to keep young people in rural areas, but there must be appropriate policy decisions and mechanisms in place. Today the crucial questions for the policy actions are: (1) amount of money dedicated and available for young farmers, (2) the way of distribution and (3) scale of influence – how many young farmers will benefit from it. A lot of hope is placed on eco-schemes, they still have specific niches. Young farmers expect that more attention will be paid to branch areas like berry-growing or greenhouse farming.

Vytautas Buivydas notes that the achievement of the young farmers is that “compared to the previous financial period, the budget for the young farmers is almost twice as large (2.3% of the envelope of all direct payments – additional income support for young farmers; 31% of rural development funds – for the establishment of young farmers). We would like to see even more. Perhaps such an opportunity would arise as the financial period progresses and it becomes clear that the budget is being used up” (Valstietis, 2022).

Young farmers tend to take riskier decisions, think about progress and sustainability in farming. A significant number of farmers think about nature conservation and what is left for future generations, so they tend to apply sustainable business models and/or pay a lot of attention to preserving the biological value of food. Therefore, it is necessary to think not only about financial support, but also about other mechanisms. The Lithuanian agricultural policy cannot be focused only on receiving support, sustainable solutions should be sought to provide the Lithuanian state with healthy food, the production of which would help ensure adequate income for farmers and strengthen their position in the food supply chain.

Hungary

The ageing of the farming population has become a major problem in the European Union and in Hungary over the last decade. This unfavourable demographic trend is hampering and threatening the maintenance of agricultural activity and the survival of rural communities across Europe. This raises the need to promote generational change and to make it a priority objective of agricultural policy. It is important to point out that the literature does not understand generational change as a mere generational renewal, a rejuvenation of the age structure, but as a process that can result in new approaches, practices, attitudes, innovative thinking and production practices, in which commitment to sustainability plays an important role.

However, young farmers face a number of problems and challenges that raise their expectations of agricultural policy. In light of this, it is particularly important to understand and incorporate the opinions, visions and needs of young generations and young farmers into the policy-making process. Without this, a successful generational change and agricultural regeneration cannot be achieved.

The problems and expectations are not independent of each other, but are often complex, interlinked and interacting with each other to affect the development of young farmers' businesses. To understand and identify the expectations of young farmers, the following literature sources were used: Halmai, ed. (2020), Privóczki (2020), KSH (2013), KPMG (2016), Kis and Gál (2012), Zondag et al. (2015), fi-compass (2020), Varga and Biró (2020) and Nagy et al. (2022). In the following, the expectations of young farmers are presented, which determine the adaptability of young farmers' holdings and thus their development potential.

Given that the majority of young farmers do not come from outside the sector and start a new farm, but mainly take over an existing farm, measures that focus on new entrants will not be able to stop the downward trend in the number of farmers. Therefore, a combination of different instruments and measures is needed to enable efficient farm transfer and take-over, thus facilitating generational change.

Fostering generational change is of paramount importance, so it is important that agricultural policy supports this, providing assistance and resources. However, it is important to note that the success of generational

change goes beyond the scope of agricultural policy, as it requires the coordination of a number of areas, instruments and measures:

- rethinking the legal regulation of inheritance;
- the preparation of practical guides for the administrative procedures of transfer and succession (e.g. tax information booklets, information leaflets for successors);
- legislative amendments;
- encouraging intergenerational communication: forums, events where this is the issue, training, preparation, presentation of good practices and examples;
- keeping the issue on the agenda, continuing the social debate on the subject.

Another important expectation of young farmers is the modernisation and further development of AKIS, including: training, skills, extension, innovation, mentoring; innovation and information channels; support for agricultural innovation, improving and developing digital skills, vocational training, practical skills. The agricultural knowledge and innovation system plays a key role in enhancing smart adaptability of young farms, enabling them to operate more efficiently, effectively and sustainably, creating value for themselves and their stakeholders. Today, in the age of the information society and the knowledge economy, knowledge is seen as the most important resource that determines the performance of all other factors of production.

Therefore, increasing the existing and available explicit and tacit knowledge of young farmers in different fields (agriculture, business, management, etc.) and sharing different knowledge elements is both a priority need and a policy objective. Innovation, as an essential tool for adaptation, is closely linked to the existence and accumulation of knowledge and the two cannot be separated. Importantly, the innovation propensity of young farmers is very different, which makes it difficult to promote innovation in a coherent way, and innovation needs to be identified and adequately addressed. Demonstration and dissemination of knowledge, experience and good practices (demonstration farms), public dissemination of knowledge on agricultural innovation, stimulation of innovation attitudes and promotion of innovation are of great importance. Developing an environment supportive of innovation, promoting open innovation and stimulating the development of innovation networks are important.

In addition to the above, there are expectations in the following areas:

- a support system that takes better account of the needs of farmers and farms;
- promoting cooperation and networking;
- increasing support for business start-ups; increasing start-up support for young farmers and optimising support conditions;
- promoting the development of rural areas (economic activities, community infrastructure, rural services and infrastructure); creating conditions for attractive rural life, reducing and preventing emigration (LEADER Programme, smart village, shortening supply chains, rural tourism);
- sustainability improvements (water retention, irrigation systems, promotion of renewable energy, etc.);
- implementing and operating effective risk management and mitigation measures (insurance, compensation, forecasting, in particular extreme weather events due to climate change).

7.5. SWOT of operations and development of young farmers' running small farms

Wawrzyniec Czubak

Despite many common features, agriculture of Central and Eastern European countries is not identical. Although the historical background was similar since the Second World War – from the period of the centrally planned economy, through the post-socialist privatisation and restructuring policies in the 1990s, to the joint accession to the EU structures - all the countries faced different problems in view of the challenges of the single European market and the European model of agriculture. However, ageing of the farming population has become a vital problem in the entire European Union. The issue of young farmers managing small farms has been an inevitable challenge for their economic, social, cultural and ecological functions. The strength of the adjustment processes for effective functioning in the local, regional, national