

## Cross-compliance as an element of social responsibility in agriculture

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**Abstract.** Issues raised in this study focus on the analysis of social responsibility concept in agriculture, with special attention to cross-compliance rules, i.e. rules of mutual agreement. It has been emphasized that it is necessary to run business in a modern way, which depends on integrated management of economical, social, environmental and ethic issues, according to the idea of a balanced business. Moreover, it is evident that consumers' requirements and expectations in terms of ethics in business activity are becoming more and more important. We can even say that in conditions of a strong competence, values of immaterial things such as reputation and products' opinion are becoming more and more important. Also, in the days of fast information flow both positive and negative opinions spread very fast around the world. It has an impact on establishing opinions of products on a regional or even global scale.

The concept of Corporate Social Responsibility of business (CSR) is relatively unknown, but it is getting more and more important; today in the face of technological advance and complicated global economic system there is a necessity of cooperation between different business entities. The interest in the topic is growing constantly, because all people should be aware of the fact that taking care of keeping balance in economic (economic development), social (improvement of life quality) and ecological areas (environmental protection) is common duty.

**key words:** social responsibility, business, ethics, cross-compliance, agriculture

### INTRODUCTION

The latest changes in Common Agricultural Policy (CAP) are characterized primarily by the separation of direct subsidy payments from the size and structure of agricultural production. The new system of uniform payments, the Single Payment Scheme (SPS) includes replacement

of former direct subsidy payments (farms with specific types of agricultural production are entitled to get them) by uniform payment made to a farm, or a uniform regional payment. The SPS gives farmers more freedom in making decision what to produce. So far, the choice of agricultural production was determined to a large extent by the amount of direct subsidy payments which the landowner could receive while producing specific products. A very important aspect of change in agricultural policy is also the fact that it is meant to improve the condition of natural environment, food safety and population of animals. It means that receiving payments according to the new rules is connected with the duty of meeting by the landowner defined requirements. It is the rule of so-called cross-compliance.

It has to be emphasized that minimal requirements concerning the farm management are not just new regulations created to reform the CAP, but they are regulations obligatory for all farms. The new element binds the granting of direct payments with meeting those regulations (Minimalne..., 2007).

The purpose of this article is cognitive and it is focused on showing the cross-compliance rule as manifestation of acting towards the concept of social responsibility. The phenomenon of social responsibility has been analyzed in terms of chances for improving the competition of agricultural companies in connection with declaration and adhering to the rules in practice.

### THE CONCEPT OF VOLUNTARY CONSIDERATION OF SOCIAL AND ECOLOGICAL ASPECTS – THE CORPORATE SOCIAL RESPONSIBILITY CONCEPT

Encouraging people to ethical behavior and introduction of changes within the organization is connected with a certain philosophy of performance, with mission, vision and strategy of a company resulting from understanding the fact, that actions aimed exclusively at profit have many negative side effects. Those effects cause irreversible con-

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*Received 16 June 2009*

sequences such as “destruction of human and natural environment, danger of nuclear and toxic pollution, monopolization of markets, unbalanced access to information and also escalation of such phenomena as excessive consumption, grey and black market, disloyalty and dishonesty of competition” (Klimczak, 1999). The management towards the SR is connected with clarity, openness, ethics, responsibility for commitments taken, effective exploitation of resources.

According to the European Commission, social responsibility is a concept based on the assumption that organizations would voluntarily take into account social and ecological aspects in the course of their commercial activities and contacts with customers (Green Paper..., 2001). Similarly, McGuire (1963) emphasizes that companies are responsible not only for economic and legal aspects, but also for a certain range of responsibility in front of the whole society.

The idea of Corporate Social Responsibility is the notion according to which the companies voluntarily include both in their market strategies and in relation with different groups of customers social interests and issues of environment protection. According to the opinion of the European Commission it is important however, to make the social responsibility become an integral part and the daily routine of European company management. This position requires some changes in the management of the whole company, new managerial skills. From the standpoint of the most important person in the company, the person who makes decisions i.e. the manager, the choice of the direction, safety and quality of production depends to a large extent on his decision, moral attitude and responsibility.

Farmers, as food producers, should be socially responsible, i.e. responsible in front of the society for what and how they produce. The importance of a certain moral perfection, awareness, entrepreneur’s ethical behavior and rationality of choice not only in terms of economical result should also be emphasized. In practice, many managers run their companies in an ethically correct way. On the other hand, we can also observe different attitudes of entrepreneurs in terms of ethical behavior in their business activities.

Rybak (2004) points out that the moral values and ethic virtues declared and implemented by managers are the basis of differentiation between the three models of management: the immoral, amoral and moral one. But, according to Kohlberg (1981), the majority of managers behave ethically just to avoid punishment or to receive a reward. Some of them are open to requests, to the needs of others, and some of them want to act as good citizens, but only few of them do what they consider to be a good thing, following the model they consider to be good from their own and others’ point of view. To continue with Rybak (2004): “moral management means consistence with ethical behavior. The purpose of moral management is to gain profit by taking into consideration the existing legal regulations, moral

norms and standards of professional behavior. In the moral management not only the letter of the law is important (the minimal standard), but also the spirit of the law, i.e. the sense of justice. Entrepreneurs who run their organizations in the moral way aim at establishing standards that are higher than the law says, which are universal and compatible with human nature”.

It can be also emphasized that in the era of modern views on life and economic activity, i.e. the separation of personal and public good, separation of happiness and morality, we can observe lack of morality also in economic life. In the face of this fact, the rule of cross-compliance is both encouragement and necessity (if you don’t meet the rules, your subvention will be cancelled) of ethical behavior in business, in this case in agriculture.

The ethical education is very important in terms of shaping the awareness and a proper attitude, but it also determines the level of moral behavior in economic activities, in the whole business. The basic objectives of ethical training include:

- teaching how to cope with ethical issues,
- helping to understand the ambiguity of ethical problems,
- making aware of the fact, that the ethical image of the company is shaped by behavior.

The idea of social responsibility includes also the aspect of balanced development (sustainability). Therefore, between the certain dimensions of 3 times E = efficiency, effectiveness, ethics arises an interrelation. More and more often the social and environmental dimension, creation of social capital are highlighted.

Unfortunately, there is still little interest in the idea of social responsibility in Poland. There are lots of reasons of this situation: the reason of methodology and related with it the internal opposition between the economic and social goals of the company, the theoretical reason, the practical one but also historical and mental circumstances. There are also many other explanations such as lack of knowledge and decline of social engagement of people.

The success of the company is to a large extent depended on the level of the consumers’ satisfaction. The present economic situation enforces change of behavior, the way of thinking about the future and is a good occasion to take up steps to reinforce the own position on the market. The present crisis is a good time to introduce changes, to show humility, time to learn how to survive and, build up self-confidence and increase the value of the company.

Social responsibility in agriculture can be considered in internal dimension (internal structures: work safety, management of resources used by the company, company’s impact on the natural environment) and external one (actions outside the internal structure: influence on the local community, relations with external consumers and other institutions, abiding the human rights, taking care of natural environment, improvement of farms competitiveness in terms of quality improvement and sales increase).

## THE RULE OF MUTUAL CONFORMITY I.E. CROSS-COMPLIANCE

The regulation of the Council (WE) No 1782/2003 introduces for farmers the duty to meet certain basic requirements in the field of management, i.e. SMR – Statutory Management Requirements, which consist of four basic branches: protection of environment from pollution resulting from agricultural activity, manufacture of agricultural products by using methods that don't threat both human health and animal welfare, don't impact the sanitary conditions of plants, using the soil in such way that doesn't worsen its quality.

The essential elements of the reformed Common Agricultural Policy are: the uniform payment for a farm independent on production and:

- binding this payment to meeting the standards of environmental protection, food safety, animal welfare and plants condition and also to conforming to good agricultural conditions and environmental protection in farmland management;
- reinforcement of the countryside development policy by increasing the amount of funds from EU for actions promoting environmental protection, food quality and animal welfare and helping farmers to meet the EU production standards, which are obligatory from 2005 on;
- restriction of direct payments for big farms to finance a new countryside development policy;
- the mechanism of a financial discipline ensuring that the level of expenses for agriculture from the EU budget established until 2013 will not be exceeded.

Another element of the reform introduced from 2005 on in the old countries – members of the EU is the separation of direct payments from production. This means replacement of former payments for particular kinds of agricultural production by the system of uniform payment independent of production, i.e. the so called SPS (Single Payment Scheme).

Cross compliance is the rule of mutual agreement, the rule of interrelation, which is meant to contribute to the environmental protection, improvement of food safety and animal welfare. It is meant to legitimize the payments for farmers by obligating them to fulfill the expectations of EU societies in terms of conditions of food production.

The requirements were divided into three sections:

Section A: identification and registration of animals, environmental protection issues; Section B: public health, animal health, reporting some diseases, welfare of plants; Section C: animal welfare.

The requirements of section A are obligatory from the 1<sup>st</sup> of January 2009. The requirements of section B will be introduced from 1<sup>st</sup> of January 2011 on (there is a possibility to postpone the implementation until the 1<sup>st</sup> of January 2013).

Farmers who will not observe the specified rules are in danger of sanction. The kinds of punishment for non-ob-

servance of the rules are differentiated. They depend on the level and effects of the offence and can even exclude the farmer from the payment system. Within the framework of cross compliance a group of farms will be put under control of meeting the requirements (the research test). The farms participating in the test will be chosen from the standard obligatory test group randomized within the framework of Integrated Administration and Control System – IACS. The test will include at least 1% of the country's farms, i.e. in Poland about 15 000 of farms. In addition to it, farms located in areas of Nature 2000 project will be obligated to meet increased requirements concerning protection of animal wildlife and plants habitat.

According to this, farmers' preparation for meeting those requirements is becoming an important task for the services responsible for supporting the agricultural entrepreneurs. The necessity of widening the farmers' knowledge and their awareness of the requirements and ways to fulfill them is getting more and more important. The threats which can appear during the introduction of the concept is the aspect of managers' education, especially the low level of it, ensuing from the low motivation and unwillingness to gain new knowledge, and also the aspect of awareness.

In the opinion of many advisors, a lot of requirements of the cross-compliance rules is already being fulfilled by farmers, but the farms' owners are not aware of it yet. Other advisors claim that binding the fulfillment of those rules with payments will be for many farmers "the final nail in the coffin". They confirm however, that both advisors and farmers do not lose their hearts, but it can be difficult to keep the hope unless the farmers understand the importance of those issues, gain and improve their knowledge in those matters and take systematic actions towards it. In turn, the passive waiting will be destructive.

The results of research carried out by the Institute of Studies on Democracy and Private Enterprise have confirmed that responsible companies have a bigger sales increase, more profits and bigger investment expenditures, they are also characterized by a higher financial fluency. It has to be emphasized that chances connected with taking actions in the area of SR seem to be to a large extend unrevealed yet, especially in the sector of agricultural companies.

## CONCLUSION

The social responsibility (SR) manifested in rules of cross compliance in agriculture has an international extent. It is becoming not only the signpost of action promoting responsible farm management, but also a necessity. The concept enforces changes in the way of management, encourages the farmers to gain new knowledge and skills. The EU requirements concern meeting the rules and standards of balanced development and aim at social responsibility; the basic notion of this policy is the assumption that the success of organization of the future equals the sum

of both moral and economic success. Apart from that, employment of SR has a positive impact on companies' competitiveness. It allows product improvement, which results in higher customers' satisfaction and loyalty. As a result, it increases sales and improves the companies' competitiveness.

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