

In the modern economy it is often pointed out that the agriculture and rural areas have important functions that go far beyond food production. They should provide public goods such as the high quality of the environment, protection of folk culture etc. However, from the farmers point of view, the primary purpose of their activity remains to achieve an adequate income. The main objective of the project is to identify the factors that determine changes in farm incomes in the European Union regions. It is known, however, that the conditions for the development of agriculture in Europe are highly diversified and it appears primarily at the regional level. Apart from climatic and natural factors, we can say that these differences are determined by the resources of production factors (labor, land and capital) and their productivity.

The essence of this project is therefore to search for the factors that shape the level of agricultural income, taking into account the regional diversification. For this purpose the delimitation of region groups with similar conditions will be conducted. Next, the author will calculate the values of measures that can potentially impact the level of farm income. On this basis in the next step the value of agricultural income will be modeled. The essential question that arises is which factors affected the changes in agricultural income to the relatively highest degree? Whether this set of determinants is fixed or dependent on regional conditions?

Theoretical models of agricultural development assume that in the long run one can observe the changes in the use of production factors in agriculture. At first, a relatively more important factor is the labour, then the capital and in the end the pivotal role is played by the concentration of land. The question is: does switching from a labor-intensive agricultural development model (like the one in Poland, for example) towards models based mainly on utilizing capital and land (like in Western Europe) lead to changes in the roles of each agricultural income determinant?

It can be assumed that in some countries (regions) the rising food consumption expenditures meant that increase in production could be an effective strategy to boost income, because there were no problems with the sale of increasing quantities of goods. The strategy of intensification, whose aim was to increase production per hectare, could have brought relatively large returns. At the same time, growing debt, as long as it causes the need to fund development investments, should not pose a significant barrier for income growth. However, an important factor may be the ability to generate cash which determines the processes of growth and accumulation in subsequent periods. On the other hand, in regions with high utilization of the factors of capital and land compared to labor, one problem that would limit income growth could be the growing costs of external factors. Therefore, does the intensification of production still brings satisfactory effects on growth of income? Is it possible that this path in so-called old EU countries is no longer effective? Does the improvement in the efficiency of assets use has an important positive effects on the growth of income? When the region is characterized by high productivity in agriculture and a large resource of capital, does the revenue growth is possible only if the subsidies under common agricultural policy increased?

This project is thus indirectly attempt to indicate a path of growth in agricultural income in designated cluster of regions. Potentially it could have value for application in agricultural policy, especially when it comes to better adjustment its instruments to actual needs.