

STRUČNI RAD

FUNDING MODELS FOR FARM ADVISORY SERVICES – THE EUROPEAN UNION EXPERIENCE

Đurić Katarina¹

Lukač-Bulatović

Mirjana²

Škrbić Siniša³

Prodanović Radivoj⁴

Abstract: *The concept of modern-day and intensive agricultural production has imposed the improvement of competitiveness of agricultural households as one of the most significant issues. The level of knowledge and awareness of farmers is crucial for the growth of their competitiveness. This is the reason why the role and importance of farm advisory service, as a link connecting research and institutional sectors with farmers, has been underlined in the European agriculture system. The importance of advisory activities in contemporary circumstances has determined the research subject of this paper. The farm advisory service of the European Union has been*

¹ University of Novi Sad, Faculty of Agriculture, Trg Dositeja Obradovića 8, 21 000 Novi Sad, Serbia, Phone: + 381 (21) 4853 232, E-mail: katarina.djuric@polj.uns.ac.rs

² University of Novi Sad, Faculty of Agriculture, Trg Dositeja Obradovića 8, 21 000 Novi Sad, Serbia, Phone: + 381 (21) 4853 331, E-mail: lmirjana@polj.uns.ac.rs

³ University Business Academy in Novi Sad, Faculty of Economics and Engineering Management in Novi Sad, Cvectorska Street no. 2, 21 000 Novi Sad, Serbia, Phone: +381 21 400 484, E-mail: sinisa.skrbic@in-tech.rs

⁴ University Business Academy in Novi Sad, Faculty of Economics and Engineering Management in Novi Sad, Cvectorska Street no. 2, 21 000 Novi Sad, Serbia, Phone: +381 21 400 484, E-mail: rprodanovic@fimek.edu.rs

analyzed using the historic, descriptive methods, as well as analysis and synthesis methods. The object of the research is to determine how privatization and commercialization influence the quality of advisory services by analyzing farm advisory services and their funding methods. Based on observed advantages and constraints of certain funding models, the paper has given guidelines for organization of the farm advisory service in the Republic of Serbia.

Key words: *farm advisory service / funding / commercialization / the European Union / Serbia*

INTRODUCTION

In order to respond to current social, economic and environmental demands, modern farmers need knowledge. They are faced with the necessity of preservation of natural resources, reduction of pesticide use, climate change adaptation, while on the other hand they still have to respond to the growing competition on the market. Knowledge and awareness, which enable farmers to come to terms with these two extremely opposed goals, are largely provided by farm advisory service. This service acts as a key knowledge lever not only from the perspective of agricultural production stakeholders but also from the perspective of agricultural policy makers (Prager et al, 2016).

The EU regulations related to farm advisory services stipulate that member states shall operate a farm advisory system which will provide the producers with information and relevant knowledge crucial for meeting EU standards (EC, 2009). Together with the changes in the agricultural system, the EU has also seen changes in the organization and funding of advisory services. During the 1990s the majority of advisory services in EU countries were faced with challenges of privatization and needs for commercialization of advisory sector. Furthermore, privatization implies the inclusion of private consultancy companies in the advisory work, while commercialization refers to the process in which both private and public advisory services are focused on charging some of their services.

Since the introduction of a cross-compliance subsidy system in 2003, the farm advisory service has become an operational body for the implementation of the EU Common Agricultural Policy provisions. In order to become beneficiaries of subsidies, farmers are obliged to comply

with the principles of natural resource conservation and domestic animals welfare. Due to these new changes, all EU member states have taken over an obligation to set up their own national advisory systems whose goal is to provide technical support to farmers and to assist them in meeting cross-compliance requirements (Đurić et al, 2017).

However, the method in which the transfer of knowledge and information will be funded has not been specified by EU regulations. Namely, member states have been left with the possibility to choose if advisory services will be free of charge for producers or they will be charged on a commercial basis. In addition to budgetary potentials, the selection of one of these two options also depends on the theoretical approach to advisory system as well as debates on potential effects of commercialization of advisory services.

TYPES OF ADVISORY SERVICES IN THE EU AGRICULTURE

In line with the key goals of the Common Agrarian Policy of the EU and the adopted subsidy system, services provided by the farm advisory system to its beneficiaries are divided into three segments:

- Advisory services on subsidies and regulations in agriculture;
- Advisory services on production technologies, and
- Advisory services on the diversification of rural economies and agritourism.

Advisory services related to subsidies and regulations in agriculture mostly deal with introducing farmers to administrative procedures necessary for applying for various subsidies. The document preparation and administrative forms vary from country to country. However, what is common for all of them is that the advisory services address each farmer individually that is, they are based on “one to one” interaction (Sutherland et al, 2017). Introduction to administrative procedures and technical assistance in applying for grants are services provided both by public and private advisory services. In the EU countries, advisory services provided by the non-government sector are increasing⁵. In Great

⁵ Environmental non-governmental organizations provide services to farmers regarding administrative procedures which then help farmers to get funds from so-called environmental funds, if they organize their production so as to meet the principles of environmental sustainability (Sutherland et al, 2017, p. 434).

Britain, Poland and Portugal advisory services on subsidy systems are charged, regardless of whether it is a private consultancy company or public advisory service. In Bulgaria, this type of service is free of charge, if it is provided by advisory services organized by the state, but it is charged if provided by the private sector.

Most of the EU farmers describe administrative procedures for grant applications as “unnecessarily complicated” (EC, 2009). Even the farmers with a university degree have difficulties in completing all the forms independently. Consequently, the role of the advisory service is then to make the information found on the Ministry of Agriculture website usable for farmers as potential beneficiaries.

Advisory services in Bulgaria and Portugal related to subsidy support are charged only after the application has been submitted, whereas the amount paid to advisory experts depends on granted amounts. On the other hand, Poland and Great Britain have defined the amount which agricultural holdings pay irrespective of the outcome of the application and amount of the granted funds.

As for information regarding regulations in agriculture, most farmers use advisory services. In order to meet cross compliance conditions, farmers also exchange information among themselves, based on their previous experience (Đurić et al, 2017). In certain cases, producers receive information on regulations from input suppliers.

Information and knowledge on agricultural production technology comprise a wide range of topics: land resource management, modern agricultural and technical measures, as well as protection against diseases and pests. New producers can improve their knowledge on biotechnology using various sources:

- Formal education;
- Courses and trainings;
- Open days and manifestations;
- Working practices
- Scientific journals, books, internet.

In addition, producers who have set up their own agricultural household or have inherited it from their parents can obtain information and knowledge on production technology from both public and private advisory services, input distributors, neighbours and friends with

experience in agricultural production, scientific institutes, production associations and non-governmental organizations (Labarthe and Laurent, 2013).

Agritourism represents the most significant type of diversification of rural economy in the EU countries. The knowledge necessary for agritourism involves the legal framework and the knowledge of rules of procedures, marketing, and service management as well as the system of access to EU rural development funds (MCGeehee, 2007). The most important knowledge in terms of organization of tourist offer and marketing can be obtained based on individual interactions, workshops, study tours, trainings and cooperative networks.

Poland, which has the most efficient advisory work in the field of agritourism, has organized advisory service within the Ministry of Agriculture (Kania et al, 2014). This service gathers relevant information and then makes it available to advisors in charge of individual interactions with farmers. A significant role in the knowledge transfer is played by local action groups. Every two years the National Agricultural Advisory Centre organizes a conference aimed at promotion of agritourism. This gathering brings together all subjects who directly or indirectly contribute to the development of this activity, such as, representatives from relevant ministries, scientific institutions, advisory services, associations, the owners of agritourism farms as well as the national organization for rural tourism.

The experience of the EU countries proves that family farms have various networks for knowledge transfer at their disposal (Prager et al, 2016; Sutherland et al, 2017; Kania et al, 2014). New entrants can obtain information on subsidy access from a centralized state advisory service, whereas the knowledge transfer network from the field of technological innovations and diversification of economic activities is mostly decentralized. The most common reason why small-scale farmers address the state advisory service for assistance is the access to funds, especially those which refer to the improvement of rural areas and their development.

ADVISORY SERVICE FINANCING MODELS AND THEIR IMPACT ON THE QUALITY OF THEIR ADVISORY SERVICE

The quality of advisory services is determined by the satisfaction of its users, that is, farmers. The level of satisfaction of farmers with the quality

of advice given depends on multiple factors, above all on their interaction with advice providers. The time which advisors dedicate to each farmer and the frequency of their visits to the farm is one of the key determiners to providing a high quality advisory service (Sharma and Patterson, 1999). Furthermore, the quality of advisory work is also determined by the level of trust developed between a farmer and advisory service. Setting up social groups and organizations comprising both advisors and their clients has a positive impact on the development of creative working and trust based atmosphere (Sutherland et al, 2013).

Investment in research and development defines the potential of the advisory service to keep up with innovations and to improve the skills of their experts. Opportunities for training and additional education of advisors present one of the key factors to the quality of services they provide to farmers (Labarthe and Laurent, 2013).

Advisory services within the European Union are provided by a great number of different organizations: public, private, and non-governmental as well as farmers' associations. The commercialization of the farm advisory service shows the extent to which services are charged to users (Rivera, 2000). Basically, the commercialization refers to private advisory services which charge fees to farmers, as well as to non-farming rural population. Recently, state farm advisory services have also started to commercialize part of their advisory activities. This refers to farmers whose economic position allows them to pay for high quality services. However, there are no empirical data on the number and extent of private and/or state farmer advisory services in Europe which charge their services.

The initiation of commercialization of advisory services in the EU were the changes in the concept of public expenditure in consulting services during the 1980s. Namely, it was expected that the commercialization will increase the efficiency of farm advisory services and better meet farmers' needs. In the new framework the role of the public sector was to regulate the advisory service market and not to provide it. Another initiator of the commercialization of farm advisory service, in addition to the decrease of budgetary expenses, was the expectation that the quality of advisory services will increase through commercialization (Prager et al, 2016). The reasons for commercialization also included simplifying bureaucratic procedures typical for state farm advisory services as well as increased focus on clients' needs.

However, 1990s saw the first negative effects of the commercialization of agricultural advisory activities. Namely, the financing system, which meant restrictions to budgetary support, called into question the ability of advisors to improve their knowledge and keep pace with new achievements in agriculture. One particular restriction, in terms of consultants' expertise, was the integration of environmental issues and principles of sustainable development in existing agricultural production systems (Laurent et al, 2006). Apart from the lack of funding resources for research projects, private consultancy companies also face the lack of time which advisors should spend on seminars and trainings instead of working with clients (Botha et al, 2008). Some authors (Klerkx and Proctor, 2012) believe that this constraint can be overcome by linking private advisory agencies and also by their integration and cooperation with research institutions.

The impact of commercialization on the quality of advisory work in agriculture could be evaluated from multiple aspects (Prager et al, 2016):

1. The ratio of farmers to advisors
2. The presence of individual approach in provision of advisory services,
3. The possibility of access for different categories of farmers to advisory service,
4. The possibility of knowledge and expertise improvement of private advisory services,
5. The possibility of access for private advisors to various types of education and trainings and
6. Research and development investment opportunities.

High quality advisory work requires individual approach, which implies direct contact with farmers. Individual advisory work can be realized through advisors' visits to agricultural households or by telephone. Private advisory organizations in Ireland mostly focus on direct interaction with farmers, while group education and the use of mass media are less present. Also, research studies carried out in Italy and Great Britain show that 90% of advisory services provided by private consultants are organized as individual visits, which is a significantly higher percentage compared to the state advisory service. Establishing the trust relationship between the client and advisor, adjusting advisory services to the specific needs of clients, as well as positive impact on the profit of private advisory companies are the key benefits achieved

through individual approach (Swanson and Rajalahti, 2010). In this way, privatization and commercialization of the advisory service directly positively affects the quality of advisory work.

In order to evaluate the availability of advisory services to different categories of clients, potential users of advisory services can be grouped as follows:

- (a) Small-scale family farms;
- (b) Medium-sized commercial households;
- (c) Large commercial households;
- (d) Individual farmers;
- (e) New entrants;
- (f) Women farmers;
- (g) Part-time farmers, and
- (h) Staff working on the farm.

In the case of Italy, Ireland, Great Britain and Belgium it has been determined that private advisory services are mostly focused on medium-sized and large commercial farms, whereas small-scale family farms more often cooperate with the public sector. Such tendency seems justified, given the characteristics of small-scale farms and the fact that the state farm advisory service has still not commercialized most of its activities.

Advisory services are the least available to the people employed at the farms, who are not recognized either by the state or by private services. (Prager and Thomson, 2014). In case they need expert advice, this category turns to non-governmental organizations for help. As for new entrants and women farmers, experienced European countries show that the interest of the private advisory sector is negligible for this category of users. Nevertheless, advisory work with new entrants and women is one of the priorities of state advisory service.

The access of advisors to additional trainings aimed at developing their expertise and knowledge is an essential condition for providing successful advisory services. In times of dynamic changes and scientific achievements, education of the people providing education is ranked as a factor of crucial importance for the quality of advisory services. The participation of advisors in additional trainings, viewed from the aspect of the type of advisory service organization, differs from country to

country. Whereas the participation of advisors from private advisory firms in trainings was higher in Belgium and Great Britain during 2012, advisors from the state service in Ireland and Italy received more additional education (Table 1).

Table 1. *Participation of private and state service advisors in training during 2012*

Type of advisory service	Participation of advisors in additional training (in %)			
	Belgium	Ireland	Italy	Great Britain
Private	75	82.9	69.5	81.5
Public	55.6	100	73.3	57.7

Source: Prager et al, 2016

In addition to direct advisory work with clients, advisors spend part of their working hours doing the so-called “back office” activities. Research and development, administrative activities, managerial activities, trainings, planning and statistics present the logistics of advisory business. The research shows that private advisory firms dedicate less time to this type of activity, while focusing most of their available time on direct interaction with farmers (Prager et al, 2017).

EXPERIENCES OF SOME EU COUNTRIES REGARDING THE COMMERCIALIZATION OF ADVISORY SERVICE

The method and range of farm advisory service commercialization in the EU varies from country to country.

Belgium. The development of farm advisory service in Belgium followed the changes that took places in agricultural policy and rural development policy. Both state and private advisory services still exist in this EU member state. Farmers’ associations, such as cooperatives and unions, play an important role in the distribution of advisory services. During the 1980s and 1990s the commercialization of farm advisory service has been carried out in two forms. The first form of commercialization included consultancy companies which had been involved in bookkeeping and then they diversified their operations towards agronomy and environmental protection. The key actors of knowledge transfer in the second form of commercialization were producers’ associations related to bookkeeping agencies. (Labarthe and Moumouni, 2014).

Ireland. Ireland is specific for its unique organization which specializes in research, consultancy and education. Around 250 advisors are engaged in providing advisory service. On the other hand, the number of small independent advisory firms, mostly gathered around the Agricultural Consultants Association (Kelly et al, 2013), has been increasing since 2013. Activities of newly established advisory services are entirely commercialized. Although Ireland has one of the most developed cooperative sectors in Europe, it does not play an important role in the distribution of advisory services.

Italy. What is specific about Italy, in terms of agricultural advisory activities, is the fact that this service is organized by territories, that is, each region has its own public advisory service, as well as private consultancy agencies. In addition to consultancy companies, advisory services are also provided by non-governmental organizations and producers' associations. Given the noticeable heterogeneity in terms of subjects providing advisory services in agriculture, there are a number of different forms and levels of commercialization of advisory activities in Italy. What is common to all advisory organizations, whether private or public, is their growing reliance on European Union funds.

Great Britain. The level of privatization and commercialization of advisory service in Great Britain varies from region to region. England has started with the full privatization of advisory activities, Wales continues to have strong state advisory service, but private consulting firms are also present, while public service prevails in Scotland and Northern Ireland (Prager et al, 2016). Every region in Great Britain has a combination of public, private and non-governmental organization of advisory activities. In certain cases services are also provided by combining public and private sector. For example, for advice in the field of environmental protection, the state advisory service frequently refers to private agencies which provide services to farmers in the field (Prager and Thomson, 2014).

According to sources found in literature and to information gathered in the field, it can be concluded that the commercialization of farm advisory service is present in all EU countries, but their commercialization level is different. There are multiple forms of commercialization of farm advisory service, the following four organization forms being the most common:

- Public funding of advisory work from the state budget and EU funds;
- Private advisors who charge their services both to farmers and agricultural companies;
- Advisory services within the non-governmental sector and farmers' unions, and
- Advisory activities within companies specialized in distribution and sales of agricultural inputs.

In some countries, such as Great Britain and Ireland, the commercialization of advisory services has been developed with the support of the state, while producers' associations and organizations have only a minor role. Contrary to this model, in countries such as Italy and Belgium, it is precisely these associations that enable the implementation of a new approach to the commercialization of advisory activities.

GUIDELINES FOR FURTHER DEVELOPMENT OF ADVISORY SERVICES IN THE REPUBLIC OF SERBIA

The farmer advisory service in the Republic of Serbia is organized by area (Đurić et al, 2017). It is organized hierarchically in two levels: republic and regional. On the republic level, advisory services are provided by relevant ministries and the Institute for Science Application in Agriculture. Smaller administrative units, that is, districts and municipalities, encompass a total of 35 agricultural stations, institutes, and centres providing advisory services to farmers. In addition to the state organized and budget funded services, there are also private advisory companies, which base their advisory work on commercialization.

The Republic of Serbia, as a candidate country for the EU membership, will have to comply with all legal and institutional frameworks of this economic integration. As part of the compliance, our country is obliged to fully adapt its national agricultural policy with the Common Agricultural Policy of the European Union. The subsidy system, which implies compliance with sustainable development principles as a precondition for receiving subsidies, the so-called cross-compliance, will also become mandatory for our farmers. The implementation of a new subsidy scheme will require comprehensive training, both for farmers and advisory staff, thus making the reform of the existing advisory system in the Republic of Serbia one of the priority tasks.

The period prior to the accession of the Republic of Serbia to the European Union should be used for engaging all existing capacities and raising the quality of advisory work to a higher level. There is room for improvement of farm advisory service in the field of technical equipment, professional development of advisors and encouraging farmers to use advisory services. Namely, some of the main constraints of farm advisory service in our country are distrust and low motivation of farmers towards the advisory service as a state institution. On the other hand, the work of private advisors is limited, primarily due to the difficult economic position of most agricultural households, which see the investment in advisory services as an unnecessary expense rather than a worthwhile investment. One available option for raising awareness and education of agricultural producers on the importance and role of advisory work is the use of pre-accession funds. Agricultural producers' perception of advisory work could be changed through trainings and seminars and through positive examples of other countries.

In an attempt to drive conclusions based on experiences of other countries whose farm advisory systems were observed in this paper, it could be said that the funding of farm advisory service in the Republic of Serbia will have two directions. Namely, similarly to experiences of other countries which have completed the process of transition and integration into the European Union, it is expected that two equal advisory sectors will eventually be formed in Serbia as well. The state advisory service, which does not charge for its services, will be the pivot of knowledge and information for small low-income agricultural holdings. On the other hand, large commercial holdings will turn to private consultants, whose advisory work is completely commercialized.

CONCLUSION

Having observed experiences of the EU countries in terms of agricultural advisory work, it has been noticed that advisory services are divided into three segments or three topics. The first segment includes advisory services related to regulations in agriculture; the second segment comprises services related to technological system in agriculture, while the third topic includes advisory work directed towards the education of rural population on the topics of importance and opportunities for the diversification of rural economy.

The level of privatization and commercialization of advisory work varies in certain EU countries. Engagement of private advisors in farm advisory activities has seen both positive and negative effects. The individual approach to provision of services and respect of specific requirements of each agricultural household are the most significant positive effects of privatization. The level of trust towards advisory service in such an advisory system is higher, as well as the level of satisfaction with the provided services. On the other hand, the lack of research projects and available time prevent advisors working in the private sector to pay more attention to their own education and knowledge development. Since the education of educators is seen as the *conditio sine qua non* in the current agricultural practice, this constraint is one of the key shortcomings of advisory service privatization.

Taking the fact that there are different categories of agricultural households, that is, potential clients of advisory service, as a starting point, it can be noticed that the funding model of these services determines the orientation of their activities towards certain categories of clients. Whereas private advisory services focus on large commercial holdings, the state advisory sector is directed towards economically weaker subjects of agricultural business. Namely, state advisory services in most EU countries are directed towards small and newly established households, young farmers and women farmers.

There are a few critical points in the advisory system of the Republic of Serbia requiring the financial and technical support of the state. As a candidate country for the EU membership, the Republic of Serbia will have the long process of harmonization with legal and institutional frameworks of the Common Agricultural Policy. One of the most important segments of this policy is the farm advisory service. Reforms aimed at improving the efficiency of farm advisory service in the Republic of Serbia should be harmonized, primarily, with the specific features of our agricultural sector and with strategic decisions of our country regarding the EU integrations.

In terms of funding and the degree of commercialization of farm advisory services, there are two models which will receive equal treatment in the coming period. On the one hand, there are private advisors, who will base their advisory services on commercialization, while on the other hand it is expected that the state advisory service will be more generously funded from the budget and turned towards small-scale

agricultural households. In order to avoid traps of the privatization of advisory services in terms of limited possibilities for educating advisors, one of the solutions could be to increase the level of integration and link private advisory services with research institutions.

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MODELI FINANSIRANJA POLJOPRIVREDNOG SAVETODAVSTVA – ISKUSTVA EVROPSKE UNIJE

Đurić Katarina

Lukač-Bulatović

Mirjana

Škrbić Siniša

Prodanović Radivoj

Sažetak: *Koncept savremene i intenzivne poljoprivredne proizvodnje unapređenje konkurentnosti poljoprivrednih gazdinstava nameće kao jedan od imperativa. Step en znanja i informisanosti poljoprivrednika jedan je od faktora koji ima presudan uticaj na rast njihove konkurentnosti. Upravo zbog toga se u sistemu evropske poljoprivrede naglašava uloga i značaj poljoprivredne savetodavne službe, kao karike koja povezuje istraživački i institucionalni sektor sa poljoprivrednim proizvođačima. Značaj savetodavnog rada u savremenim uslovima opredelio je predmet istraživanja u ovom radu. Primenom istorijskog, deskriptivnog, kao i metoda analize i sinteze, analizirana je poljoprivredna savetodavna služba Evropske unije. Cilj istraživanja je da se analizom poljoprivrednog savetodavstva i načina njenog finansiranja utvrdi na koji način privatizacija i komercijalizacija utiču na kvalitet savetodavnih usluga. Na osnovu uočenih prednosti i ograničenja pojedinih modela finansiranja, u radu su date smernice za organizaciju poljoprivredne savetodavne službe u Republici Srbiji.*

Ključne reči: *poljoprivredna savetodavna služba / finansiranje / komercijalizacija / Evropska unija / Srbija*