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Polish Agricultural Policy in the Context of European Integration

The Europe Agreement instituting association between Poland and the European Communities and their member states was signed in Brussels on 16th December 1991. This association is aimed at Poland's full membership of the European Union. The Europe Agreement lists a number of prerequisites to be met by Poland before gaining membership. One of them assumes that Poland will become able to face the pressure of competition and market forces in the Union before acquiring the status of a member (Czechowski, Marciniuk, Przybylska 1995, p. 6). It is obvious that Poland as an agricultural-industrial country must put much emphasis on adjusting its agriculture to the conditions of the EU market economies and on the related issue of competitiveness of its agricultural products. Increased competitiveness will allow our country to achieve a strong position first of all in the internal market for agricultural products. It will be possible for Polish agricultural products to compete in the EU market only when Polish agriculture is not pushed out of the home market by products of other EU members. So the premises for this possibility are related to the adjustment of the acreage and spatial structure of Polish farms and also the employment structure in rural areas. The development of the rural economic infrastructure and development of export-oriented policy are important, too.

1. Objectives of Polish agricultural policy

At present the main objective of Poland's agricultural policy is to adjust its agriculture to the requirements of the Common Agricultural Policy of the European Union. This paper is aimed at presenting the current situation in Polish agriculture and the objectives of Poland's agricultural policy in the context of its association and future integration into the European Union as well as to outline the necessary directions of transformations and restructuring which will allow easier and faster integration.

1.1. Increased competitiveness of Polish agriculture towards agriculture of the EU members

The priority task of Poland's agricultural policy is to raise competitiveness of its agriculture. In its present shape, it will not be able to compete effectively against the highly efficient West European agriculture. According to Jerzy Wilkin (Marszałek 1993, pp. 50-51), the way to increase competitiveness of Polish agriculture does not consist in covering it with a protection umbrella but rather in creating the infrastructure of economic development of rural areas. In his view, the adjustment of the agricultural policy to the conditions of the European Union is as important as the creation of Poland's own model of agriculture adjusted to the specifically Polish conditions and simultaneously corresponding to the present liberalisation trends in the contemporary world economy.

1.2. Secondary goals

In order to achieve and keep competitiveness of Polish agricultural production vis a vis competition from Western Europe it is necessary to set and effect a number of subordinate goals leading to achievement of the major goal.

1.2.1. Structural changes

According to the report prepared by the Section of Expert Studies and Analyses at the Office of the lower chamber, Sejm (Czechowski, Marciniuk, Przybylska 1995, p. 51) the most important problem facing Polish agriculture at present is its agrarian structure. Fast changes are necessary in that structure. Their aim is to reduce costs of production and to improve quality of produce. The size and location of farms are vital to the possibility of applying new technologies, using pesticide and to efficient use of agricultural machines and equipment.

According to the report of the SAEPR (Próba ..., 1996, p. 18), the ownership structure with dominant small holding may be used in the first stage as an argument for applying for direct payments.

1.2.2. Development of the infrastructure

According to Elżbieta Jarosz, Hanna Rasz and Dorota Stankiewicz (Berkowska, Rasz, Stankiewicz 1995, p. 32), the infrastructure is an essential element to development and transformation of agriculture. It has a big influence on the growth rate of agricultural production as well as on the general living standard of rural population. The concept of infrastructure is very broad. It covers the following elements:

- supply of water and the sewage system,
- land melioration,
- electrification and gasification,
- development of telephone services,
- roads for agricultural transport,
- health protection, education and culture (Berkowska, Rasz, Stankiewicz 1995, pp. 32-36).

1.2.3. Modernisation of production

The two goals described above are to serve to achieve this goal. It cannot be attained without changes in the agrarian structure and development of the infrastructure in farming areas as well as development of the sector of services for agriculture.

1.2.4. Development of exports

If the undertaken efforts aimed at changing the agrarian structure and developing the infrastructure succeed in yielding such production of Polish agriculture that is modern and conforms with the requirements and standards of the European Union, then the time will come for export expansion. This will cause Polish agricultural produce to become competitive in the EU market and in this way the primary goal set for the Polish agricultural policy will be accomplished. The importance of this goal stems from the fact that after the completion of integration, the Polish market will become a part of the EU market and this in turn will cause our agriculture to have to compete effectively with agriculture covered earlier by the Common Agricultural Policy even on its own ground. Before exports develop to a sufficient degree, it is necessary to overcome some other barriers (beside the quality and technological ones) encountered by Polish produce in getting access to the present EU market. There are some administrative setbacks in implementing the provisions of the Europe Agreement. They are discussed by Janusz Rowiński in his study entitled "Agriculture of the Central and East European Countries on Their Way to the European Union" (Rowiński 1994). According to Władysław Piskorz, these barriers can be particularly difficult to overcome when account is taken of the reluctance disclosed by the EU members at the Madrid summit to open up their markets to agricultural produce from the associated members (Piskorz 1996).

2. State of Polish agriculture - comparison with EU agriculture

It is worth starting from describing the agrarian and population structure of Polish agriculture. According to Elżbieta Berkowska, Hanna Rasz and Dorota Stankiewicz (Berkowska, Rasz, Stankiewicz 1995, p. 8), the average farm area in Poland was 6.3 hectares in 1994. The average farm consists of 4 allotments, each of 1.6 hectares. Consequently, the agrarian structure is very unfavourable in Poland. It compares only with the acreage structure of Italian or Portuguese farms. Greece is characterised by even a less advantageous spatial structure of farms. However, it should be noted that the acreage structure of Polish farms has been improving. In 1996, the average area amounted to about 8 hectares (Próba ..., 1996, p. 18). The average farm area in the FRG, Holland and Belgium amounted to over 17 hectares already in 1987 (Berkowska, Rasz, Stankiewicz 1995, p. 8). It is worth underlining that in 1996, the average farm area in the Polish voivodships of Szczecin, Koszalin and Olsztyn also exceeded 17 hectares. This index was much smaller in other voivodships, e.g. the average farm in Bielsko Biala, Krakow and Rzeszów did not exceed 4 hectares in 1996 (Próba, 1996, p. 18). Both the north-western and south-eastern regions record a rising number of farms of more than 15 hectares. There is at present a big difference in the percentage of these farms in the two regions - 21% and 5% respectively, but the trend is proper. It should be noted that the increment of these

farms in the south-eastern region was much faster and amounted to 40% in the years 1990-1995 (Próba ..., 1996). Polish agriculture has an employment indicator four times as high as that in the EU. At present about 26% of the total working force is employed in agriculture. The age structure is rather favourable: about 47% of farmers are below 55 years of age. Many young farmers hold farms of above 15 hectares (Próba ..., 1996, p. 20). An economically and socially unfavourable phenomenon is the fact that about 20% of farms are run by single women who are often advanced in years (Berkowska, Rasz, Stankiewicz 1995, p. 8). Owing to their area and population structure, the farms in Poland can be classified at present as follows (Berkowska, Rasz, Stankiewicz 1995, pp. 15-16):

1. Developing farms run most often by young and enterprising farmers (their current number is estimated at 160,000 - 170,000).
2. Farms potentially able to develop but currently endangered with bankruptcy (at present 20,000 farms). They (like the ones above) are from the group of specialised farms developing in the 1970s. However, contrary to the farms from the former group, they are burdened with big debts.
3. Traditional peasant farms able to develop (at present 350,00 - 400,000 farms). Their traditional character lies in the multi-directional production model with an assumed high share of self-sufficiency; however, they are capable of accumulation, which implies also their development capability.
4. Farms unable to develop and owing to a low or negative accumulation rate oriented mainly at survival (at present 1.2 -1.3 million)
5. Declining peasant farms. Their number is at present estimated at about 350,000, or double the number of the farms from the first group.

It follows from this classification that the state of Polish farms is unsatisfactory from the point of view of "economic power". The first group functions well. Farms belonging to the second group have a similar background although they failed to use credits in a proper way or missed a favourable market situation or fell into the trap of rising inflation and rising credit interest rates, which prevented them from accumulating capital and led them to the danger of bankruptcy. It is necessary to consider whether these farms should be assisted in debt repayment and go on or whether they should be taken over by creditors and their land and possible economic infrastructure leased to more efficient users. The report labels the third type of farms "healthy peasant farms" which should constitute the core of native agriculture (Berkowska, Rasz, Stankiewicz 1995, p. 16). It seems that this evaluation is correct because despite their traditional character, these farms being free from debt and simultaneously run in most cases by young people can be susceptible to fast changes adjusting them to the market economy requirements and competition in the West European agricultural market. It is just this group that seems to be most susceptible to progress absorption. It also seems that this group of farmers will seek to rent or buy some of the land owned by group four, the most numerous and economically weakest group whose land can be used by group three to bring the size of their farms closer to the preferences set in the Common Agricultural Policy of the EU. Farms from group five can be assigned for non-agricultural purposes such as afforestation or agritourism. (Berkowska, Rasz, Stankiewicz 1995, p.16)

Apart from the agrarian structure of Polish rural areas, another important problem is related to the technological and social infrastructure. As in the case of the agrarian structure, there is a big differentiation within Poland. The highest rural infrastructure level is found in the voivodship of Katowice and the lowest in that of Suwałki (Berkowska, Rasz, Stankiewicz 1995, p. 32). The supply of water to Polish rural regions is insufficient. Considerable areas are affected

by temporary water shortages. This has a negative impact on animal husbandry and additionally poses an epidemic threat for the population. A large quantity of water used by the rural population is of bad quality and often fails to meet the sanitary requirements. For this reason an improvement in the state of water supply to rural areas is one of the most urgent needs (Berkowska, Rasz, Stankiewicz 1995, pp. 32-34)

Land melioration actions are particularly important. Unfortunately, many of the melioration machines are in a poor state or in a state precluding their use. This exacerbates the already bad situation (Berkowska, Rasz, Stankiewicz 1995, pp. 33-34).

As regards supply of electricity to rural areas, the situation is better. However, it is necessary to underline that most farms use electricity for existence purposes and not for production purposes (Berkowska, Rasz, Stankiewicz 1995, p. 34). Rural customers account for a mere 6.4% of the total number of gas users. A strong improvement is necessary here, too.

The problem of telephone services looks similar. A mere 13.4% of all domestic subscribers reside in rural areas. The size of the problem becomes apparent when it is added that Poland belongs to the group of European countries with the lowest telephone subscription rate.

2.1. Structural changes in Polish agricultural production

The analysis of the structural changes in agricultural and food production in 1992-1995 was conducted in five basic sectors, namely 1) agriculture, 2) forestry, 3) sea and inland fishing, 4) production of food and beverages and 5) production of tobacco products.

The highest position among the above-named sectors is held by the production of food and beverages (a share of about 60%). Forestry and fishing in particular have small shares in total agricultural and food production, namely below 4% in the case of forestry (with a trend towards a steady rise over 1992-1995) and a negligible share of 0.21% in the case of inland and sea fishing, with a steady downward trend in the examined period of time.

It worth noting that the share of food and beverages continued at a steady level of 59%-60% in the examined years. That sector recorded the lowest level of its share in total agricultural production in 1993 when it went down to 57.6% in favour of agriculture which increased its position in that year by about 2 percentage points (up to 34.5%). This change showed an unfavourable trend in the structural changes in 1993, which was an increase in the share of agricultural raw materials at the cost of processing. A slight decrease in the share of processing in agricultural production occurred also in 1995 with a simultaneous increase in the share of tobacco products (a rise from 5.13% in 1995 compared with 4.97% in 1994) and forestry (an increase from 3.61% in 1995 compared with 2.90% in 1994).

The following trends occurred in the sectors connected with the production of food and beverages in the examined period of time:

- 1) the share of beverage production showed a markedly downward trend - by 2% - in the examined period of 1992-1995, (i.e. from the level of 17.33% in 1992 down to 15.33% in 1995),
- 2) a clearly downward trend occurred in the share of fish processing (from the level of 1.94% in 1992 down to 0.86% in 1995),
- 3) the share of cereal and starch milling showed a downward trend until 1994 and a slightly upward trend starting from 1995 (from 2.49% in 1992 down to 2.09% in 1994 and a slight rise to 2.15% in 1995),

- 4) an upward trend occurred in the share of edible oil and fat production (from the level of 1.77% in 1992 to 3.02% in 1995),
- 5) an upward trend was shown by the share of feed and fodder production (from the level of 1.04% in 1992 to 2.23% in 1995).

In 1995, dairy production improved its position slightly in comparison with 1994 (by 0.52 percentage point) and simultaneously there was a fall in the position of meat processing (by 0.76 percentage point) in total food production.

The plant production of crude agricultural products recorded no clear-cut changes. An increase in total agricultural production was characteristic of almost all products belonging to plant production in 1993, which resulted from a marked increase in the share of plant production in total agricultural production in that year. 1994 was in turn characterised by a fall in the shares of almost all raw materials of plant production with the exception of fruit. 1995 recorded an increase in the share of plant production in total agricultural production not only in relation to the previous year but also to 1992. This increase occurred mainly in the production of potatoes and industrial plants.

Animal production showed a slightly falling share in total agricultural production (from the level of 21.57% in 1992 down to 19.24% in 1995). Decreased shares were recorded especially by the production of slaughter animals, cattle and calves, swine, sheep, poultry and wool.

Falls occurred in the share of fish processing (from the level of 1.94 in 1992 down to 0.86% in 1995) and in the share of cereal and starch milling (from 2.49% down to 2.15%). A falling share was also characteristic of beverage production (a 2% drop in the examined period).

The slight structural changes in the agricultural and food production in Poland in 1992-1995 were accompanied by comparatively small structural changes in the number of the work force in that sector. The share of agriculture (plant and animal production) in the total work force in the food production remained verily unchanged in the period 1992-1995 but a slight increase of about 0.7 % was recorded in the share of processing in the number of employment in the entire sector, which was most conspicuous in the case of beverage production, meat processing and edible oil and fat production. A slightly downward trend occurred in the sector of fish processing, cereal and starch milling and especially in the sector of sea and inland fishing which experienced a fall from the level of 0.4% in 1992 down to 0.3% in 1995.

3. Directions of implementation of the programme adjusting Polish agriculture to the European Union's requirements

According to Jerzy Plewa, the EU's agriculture is characterised by a tendency following from the changes in the Common Agricultural Policy toward a drop in the number of individual farms with a simultaneous increase in the number of such units as companies limited, civil associations, commercial companies, co-operatives, associated farms and the like (Plewa 1996, p. 9). Such a trend conforms with the assumptions of the reform in the Common Agricultural Policy. It permits gains in labour productivity and stimulates growth of farm development possibilities. The above named units are a much more advantageous form of running economic activity than individual farms. It is easier for them to accumulate resources for training their members, developing production and modernising it. They often have at their disposal a wider

infrastructural base allowing them to run activities of different kind, thanks to which they are more elastic and resistant to economic cycles. Additionally, the area farmed by several farmers is greater and brings the size of such a farm closer to the size preferred in the assumptions of the Common Agricultural Policy (Czechowski, Marciniuk, Przybylska 1995, p. 18).

Taking into account the above premises as well as the earlier mentioned problems facing Polish agriculture on the way to integration into the EU it can be concluded that establishment of agricultural companies or co-operatives should become a priority for Polish agricultural policy. This would be an optimum solution that might solve many of the problems afflicting Polish agriculture. It would solve to a large measure the problem of size and break-up of individual farms, bringing the size of land farmed by companies closer to the size preferences assumed in the reform of the CAP. An additional benefit from such a solution would be a reduction in the number of persons employed in agriculture with a simultaneous increase in labour productivity. Taking into account the fact that individual farmers lack resources to buy equipment, this would have an impact on application of modern agricultural machines which are either unprofitable to use in a small individual farm consisting of several scattered holdings or impossible to use owing to the lack of a service sector. Companies or co-operatives farming on a greater acreage and having greater resources at their disposal could afford the necessary equipment which would be used more effectively. This equipment might contribute significantly to increasing the crops and improving their quality. Companies and co-operatives could additionally substitute to a certain degree for the still fledgling service sector by conducting a service activity consisting in hiring out the equipment. Such activity could provide agricultural co-operatives with additional resources necessary for running their main activity and improving their production. Resources earned by agricultural bodies of that type would allow them to solve a number of other problems by themselves e.g. training of members of the co-operative or company, improving the existing infrastructure or building a new technological infrastructure of the farms. Furthermore, co-operative farms organised in such a way would have greater chances to compete with farms from the EU in agricultural production and sales.

Agricultural production co-operatives existed in Poland even before the systemic reform conducted after 1989. Although this activity was different from the activity required by the Common Agricultural Policy yet it is not impossible for these organisms to shift to another way of managing and farming and adjust themselves to the realities of a market economy. Researches on that topic were conducted by Elżbieta Psyk-Piotrowska (Marszałek 1993, pp. 239-252). It follows from these researches that in the north-western voivodships of Poland there are already in existence agricultural co-operatives which have been transforming themselves into active organisations fulfilling several of the tasks named by me. Their activities, however, are not confined to these tasks only. They often pursue their own policy aimed at obtaining resources from different sources. And they tend to widen the range of their activities. They often have assets that are currently redundant but in a condition permitting their further use. These assets are often sold or rented out to other users. They might be e.g. office space for wholesalers or small processing plants. And in this way co-operatives earn funds for other activities. These co-operatives are at present managed by qualified managers who do not deal with paperwork only but often perform other functions, and thereby employment and consequently costs are reduced. It is not infrequent that the co-operatives themselves run processing plants and trade in their products. It is both home trade and export, including export to the EU member countries. There are also examples showing that they act as intermediaries between contractors from the EU and from the Central and East European countries. Such activities run by the co-operatives have an influence on the multi-sided development of rural areas, which was recognised as an essential factor adjusting our agriculture to integration into the Union. Such adjustment on a local scale or even

on a regional scale cannot be the only form and first and foremost it cannot function for its own sake. Legal solutions are necessary so that agricultural co-operatives might transform into limited liability companies or commercial companies of the French type. The effect of such changes will be that partners and not hired labourer as it often is the case today will have a joint business and interest, which will permit a faster, more dynamic growth. It is also necessary to popularise such forms of ownership based on shares of partners in those regions of our country that are most affected by the problem of scattered holdings, i.e. south-eastern voivodships. An appropriate law and a system of information have to erase the image of co-operatives formed in the centrally planned economy period prior to 1989 and make farmers aware that this is the way to effective competition with the highly efficient production of the European Union whose market will cover our country in the future.

Ecological agriculture is another aspect of adjusting Polish agriculture to the market of developed economies, including mainly the European Union. West European specialists stated a long time ago that it was a chance to improve the general living standard of society as a whole (Czechowski, Marciniuk, Przybylska 1995, p. 44). In the contemporary world of high tech we often face the problem of natural environment protection. Many a time the environment in a lot of countries including Poland is seriously degraded and polluted. Western society begins appreciating the role of healthy food in the general improvement of living conditions Poland is a country which still has many regions where contamination is slight. The ecological agriculture model could be developed there. These regions are located mainly in the south-eastern part of our country, that is to say they are the regions where the average farms are the smallest in size and consist of several holdings. It is not always and not everywhere possible or justified to set up agricultural co-operatives oriented at highly productive industrial agricultural methods. There are many farms where it would be justified to adopt a more extensive type of agricultural production, but what should be aimed at is ecological production, that is to say the more desirable kind of production. Ecological agriculture has two trump cards which speak for it while adjusting Polish agriculture to the needs of the EU market. The first of them is related to the preservation of purity of the natural environment. What is meant here is not only air but also or perhaps primarily soil and water, i.e. these components which are the most essential to agricultural production. The second trump card is the economic aspect giving ecological agriculture advantage over the model of agricultural co-operatives engaged in industrial agriculture. Such companies would certainly reduce the demand for labour owing to a high share of modern technologies involved in production. This would cause the already high rate of unemployment to grow especially in strictly agricultural regions with undeveloped branches of services for agriculture and agricultural and food processing. Development of the above mentioned branches would probably recompense for this growth in the long run but in the short run it would be acute for the already impoverished class of farmers. Development of ecological agriculture would have no impact on growth of unemployment. This model of agriculture gives preference to small family farms that can produce healthy food in agreement with nature. Additionally development of ecological agriculture would decrease imports of pesticide, artificial fertilisers and other chemicals necessary for development of highly productive industrial agriculture. There exist an organisation called EKOLAND that deals with development of ecological agriculture and issues certificates licensing production of healthy food. In 1992 there were 96 farms in Poland that had such certificates (Marszałek 1993, p. 257). This number, however, is insignificant and possibilities of development in that direction are enormous. Development of ecological agriculture in Poland must be preceded by development of farmers' awareness. The cases of dumping sewage into rivers and streams are common. This causes contamination of water and soil to which that water gets. In many regions there are no

institutions dealing with removal of refuse from rural areas. Most of farms dispose of their litter by dumping it into woodland areas. This causes a further natural environment degradation and threatens the great chance which is the development of ecological agriculture. Poland lacks ecological institutions that would deal with educating and informing rural communities about consequences of the above described actions. Farmers or at least some of them are not even aware of how detrimental such actions are. Another barrier to ecological agriculture development is the lack of motivation. Most often there are no processing plants dealing with production of ecologically pure food that would be willing to sign contracts with a big number of suppliers. In the case of existence of economic motivation many farmers would like to get education in ecology and run farms in a way providing greater incomes and durability of production. It is thus necessary to launch up local programmes aimed at information and education and development of initiatives in order to set up a network of small processing plants entering into long-term contracts on supply of ecologically pure raw materials. The fact should be taken into account that such undertakings are highly efficient and give a possibility of exporting products sought after in the EU markets. This guarantees maintenance of high demand and an appropriate level of prices (Greta, Bienkowski, Puliński 1993).

Another form of developing Polish agriculture and adjusting it to the EU conditions is agritourism (Berkowska, Rasz, Stankiewicz 1995, p. 36). Certain preconditions have to be met so that farms might develop this form of activity. Regions where agritourism can develop must be attractive for an average holidaymaker. There are many such regions in Poland. It turns out that regions threatened with unemployment in agriculture are simultaneously attractive from the viewpoint of tourism. They are e.g. the lake district of Pojezierze Mazurskie, Roztocze and the mountainous regions. Poland does not lack attractive spots. They only need promoting. There are regions with tourist traditions where agritourism is already in existence. For example the highland area of the Sudety and the Tatra Mountains. Already now many farmers let rooms in the summer and winter seasons or rent their fields for ski lifts in winter and for camping sites in summer. It is necessary to raise the level and range of services and there should be no complaints of lack of customers, including also customers from the EU. A similar situation is in the voivodships at the seaside and in the lake districts. However, in this case the season favouring holiday making is limited to the summertime and incomes from agritourism are thus limited only to two or three months a year. Regions not frequented and with insufficiently developed agritourism sector but very attractive include the Świętokrzyskie Mountains and the voivodships of Kraków, Częstochowa, Krosno, Lublin and Zamość. However, farmers in these regions show interest in rendering tourist services. This activity yields quite high incomes if we allow for its seasonal character and has big chances of expansion owing to the high interest shown by both Poles and West Europeans in that form of rest. However, apart from rare exceptions of services at a decent European level, most farms already rendering them or willing to start them have to raise the standard of such services. The European tourist is a very demanding customer and Poland has no tradition in that respect. Despite all the values and benefits flowing from development of agritourism, the menaces brought by it must not be forgotten. Excessive development of this activity without appropriate protection and care of the natural environment can cause degradation of the natural conditions in the tourist regions. That's why it is necessary to take suitable care of the regions assigned for development of agritourism. This is particularly important owing to the fact that many regions attractive for tourists are simultaneously suitable for expansion of ecological agriculture because of a low degree of contamination. If agritourism develops too intensively and simultaneously Polish farmers do not change their attitude to the problem of ridding their farms of refuse, our forests will soon be full of waste and riverbeds will carry only

communal sewage. In such a situation any further development of agritourism will be out of the question and ecological agriculture will be a sporadic and marginal phenomenon.

3.1. Export-oriented policy

According to Wladyslaw Piskorz (Piskorz 1995, p. 24), the domestic demand for agricultural produce and limited possibilities for its growth tie an improvement in the situation of Polish agriculture to export possibilities. The main direction of exports of Polish agricultural products is the European Union, which accounted for over 50% of total Polish agricultural exports in 1995 (Piskorz 1995, p. 24). Mr. Piskorz thinks that there are possibilities for increasing the volume of trade in agricultural and food products with the EU although Poland's interests are divergent from the EU interests. The EU treats the crisis which took place in Polish agriculture in the aftermath of the systemic changes as a phenomenon favourable for itself allowing it to introduce its own agricultural and food products to the Polish market. On the other hand, Poland encounters a number of difficulties in trade with the EU which mainly consist in the fact that the obtained preferences concern products of smaller significance and are additionally limited by quotas. The EU market is closed to many products which Poland could export (Piskorz 1995, p. 25). In his publication entitled *The Summit of the EU members in Madrid an Important Stage on the Way toward Integration of Polish Agriculture into the EU*, he comes up with proposals for a further opening up of the EU market to products from Central and Eastern Europe. This opening up would consist in:

- a reduction of custom tariffs on imports from the associated countries down to the ultimate limit in the GATT,
- a significant increase in the present quotas, beyond the 50% proposed by the Commission,
- application of customs rates reduced to 20% of the most favoured nation clause to all quotas,
- combining the individual quotas for each associated member into global quotas for all the associated countries (Piskorz 1996, p. 3).

In the report drawn up by the SAEPR (Próba ..., 1996, p. 10), development of exports to and generally of trade with the European Union was recognised as a condition for and stimulant of integration of Polish agriculture into the Union. The products meant here are those which give Poland a comparative advantage over the EU members (Guzek 1993). In order to conduct analysis, agriculture and food processing were divided into the following sectors:

- cereals,
- cereal products,
- potatoes and potato products,
- industrial plants,
- products of industrial plants,
- vegetables and mushrooms,
- vegetable products,
- fruit,
- products of fruit,
- sugar and sweets,
- slaughter animals and meat products,
- milk, dairy products and eggs.

The analysis led to the following conclusions:

Poland has a greater comparative advantage in raw materials than in processing. The existing advantages in the case of processed products go down year by year, and the greater the degree of processing, the stronger this trend is. The third conclusion is that there is considerable differentiation of advantages between the products (Guzek 1993, p. 9).

3.2. Structural changes

In order to pursue an export-oriented policy it is necessary to become competitive to producers from the EU. Qualitative competitiveness is the most important here. According to the SAEPR report (Próba ..., 1996, p. 6), efforts aimed at qualitative competitiveness should be a motor driving the structural changes. These changes are necessary in order to adjust our agriculture to the needs of the Common Agricultural Policy of the EU. The structure of employment in agriculture is treated in the report as one of the most difficult problems to solve (Próba ..., 1996, p. 7). The difficulty consists mainly in the lack of offers for the unemployed. Even if such offers are abundant in one region this fact cannot be used in a region lacking them owing to low mobility of labour in Poland. This is determined by a number of factors such as the housing shortage to name one. According to the report (Próba ..., 1996, p. 7), the additional impediment is the related to the fact that access to vocational education is much more difficult for the rural youth compared with the youth in urban areas. Consequently, the chances of the rural youth in the labour market are smaller.

Another important problem is the acreage structure of farms. One of the reports mentioned earlier (Berkowska, Rasz, Stankiewicz 1995) gives a proposal to use some of the experiences of the EU members so as to improve the structure of Polish farms. The report refers to the German experience: holders of farms below 1 hectare could obtain credits at low interest (1%) or a subvention to start activity outside agriculture and move to the town. The precondition was to transfer the land to a farm with development prospects. Such farmers had a right to retain an allotment for themselves. Additionally German farmers running non-development farms which could not be liquidated for one reason or another were entitled to subventions or low-interest credits to reduce the labour-intensity of production by modernising it (Berkowska, Rasz, Stankiewicz 1995, pp. 17-18). This experience is particularly noteworthy in Poland owing to a large number of farms without development prospects and high unemployment in the country.

Another positive example is offered by the French model. It concerned farmers who left farms in regions with a high percentage of scattered farms in order to start farming in regions where agriculture was not sufficiently developed. Such farmer were eligible for subventions and low interest credits ((Berkowska, Rasz, Stankiewicz 1995, p. 18). This model would be helpful in Poland for solving two problems: a high percentage of scattered farms in the south-eastern voivodships and distribution of the land left after the liquidation of state-owned farms in the north-western voivodships.

According to the report, the Danish model aimed at protecting farmers from the creation of excessive disproportions in the size of farms could be applied in selected regions in Poland. Denmark introduced a regulation according to which low interest credits for land purchasing were granted only to those farmers owning cultivable land including the new purchases of below 35 hectares and next 60 hectares (Berkowska, Rasz, Stankiewicz 1995, p. 18).

Taking advantage of these and other solutions as well as creating new solutions more appropriate for the Polish situation, it is necessary to work out a model and directions of structural changes in agriculture. These changes will allow achieving competitiveness in both price and quality in trade with the EU. However, it should be noted that high costs are involved both in the work on Poland's own model of action and in the use of the experience of the EU member countries. These costs cannot be avoided while restructuring Polish agriculture.

4. Financing agricultural policy

According to Jerzy Węclawski (Marszałek 1993, p. 155), the problem of Polish agriculture modernising and restructuring boils down to getting the resources necessary for these processes. Costs of adjusting our agriculture to the EU were estimated at about USD 50 billion in the government programme of 1993 (Marszałek 1993, p. 155). Some of these resources flow in the form of foreign aid which, however, has no steady character and is insufficient in size. The resources assigned to this purpose from the budget are also meagre and do not guarantee a fast course of the processes. Consequently, the author says that bank credits are the basic source of funds for agricultural modernisation and restructuring (Marszałek 1993, p. 156). When setting the regulations concerning credits for agriculture is necessary to allow for the fact that the turnover of capital in that sect is slower than in other areas. Thus long-term and low interest credits are necessary here. Until 1993 there was no system of preferential credits for agriculture stimulating the modernisation and restructuring of agriculture. Banks were reluctant to grant credits to farmers, considering them to be uncertain debtors. At the same time farmers who took credits had difficulties in repaying them and their indebtedness to banks grew. This caused farmers' reluctance to use credits for financing their activity and a general standstill in restructuring. The partial blame for this situation lies with the solutions which concentrated credits for agriculture in one group of banks, namely the BGZ Bank (Bank of Food Management) and co-operative banks. The financing of agriculture requires the existence of a developed network of banking institutions (Węclawski 1993, pp. 155-159).

The necessity of solving the problem of agriculture funding in a better way is shown by the following facts quoted in the SAEPR report (Próba ..., 1996). In 1994 bank credits were taken by a mere 18% of farmers, including 7.8% of farmers owning an area of up to 5 hectares, 25% of farmers with acreage ranging from 5 to 15 hectares and 48.4% of farmers farming on an area exceeding 15 hectares. Short-term credits prevail, i.e. credits with a repayment date below 1 year, although their share fell from 61% in 1991 to 49% in 1995 in favour of investment credits with a repayment date below 5 years - from 11% in 1991 to 19% in 1995. Preferential credits steadily increased their share from 58% in 1993 to 70% in 1996 (Próba ..., 1996). As the main cause of that state of thing is - according to the report - the reluctance of the banks to give credits to farmers.

In 1994 the conditions under which short term credits were available to farmers were regulated by article 46 of the Budget Act for 1994 and the directive of the Council of Ministers of 26 April 1994 on the rules and procedure of financing the subsidies to interest on bank credits. The subsidies from the budget were concerned with credits taken for such purposes as:

- purchases of artificial fertilisers and pesticide,
- purchases of qualified seeds of cereals, rape, maize, hemp, popilionaceous plants, grass, sugar and fodder beet, seed-potatoes and vegetable seeds - made directly by producers,

- purchases of mineral fertilisers, pesticide, qualified seeds and seed-potatoes for the needs of agricultural producers by domestic economic units acting in processing, reproduction and technological grading and in turnover in qualified material (in this case it is necessary to supply lists of naming producers and their affidavits that they do not use credits taken from banks for these purposes),
- purchases of reared heifers and bulls with the exclusion of purchases for exports,
- purchase of fuels for agricultural purposes,
- purchase of sows and ewes and boars and rams, excluding purchases intended for export,
- introduction of ecological methods of food production,
- financing of purchase of seed material from domestic producers by economic units,
- financing purchase from domestic producers and financing of stores from domestic production: cereals, rape, sugar beet and sugar, potatoes, starches, glues and dried potatoes, herbs and dried herbs, fruit and vegetables as well as semi-products and processed products obtained from them, hemp straw and hemp fibres, hemp seeds, chicory and dried chicory - to the order of the Agency for the Agricultural Market,
- financing the purchase and storage of fish caught by Polish shipowners.

Subsidies are effective if interest on credits for the above purposes does not exceed the level of 1.14 of the refinance credit rate or 1.20 of the rediscount credit rate, and the debtor's interest amounts - depending on the purpose of the credit - to 10% or 19% per year (Czechowski, Marciniuk, Przybylska 1995, pp. 65-66).

Preferential credits for investment purposes are given in the framework of activities of the Agency for Restructuring and Modernisation of Agriculture. The tasks of this Agency are to support:

1. Investment projects in agriculture, agricultural and food processing and agricultural services which serve such purposes as:
 - improvement in efficiency of production (e.g. reduction in production costs),
 - better utilisation of labour resources,
 - creation of a material basis for industrial farming,
 - improvement in quality of food,
 - increasing the line of products and services so as to meet the needs to the domestic and foreign markets,
 - protection of the natural environment from a negative impact of agricultural production.
2. Improvement in the agrarian structure by:
 - purchasing property and setting up farms,
 - setting up farms on long-term lease basis.
3. Undertakings creating new workplaces in agriculture, food and agricultural processing and services for agriculture,
 - modernisation, construction and expansion of agricultural farms and plants rendering services for agriculture,
 - purchases of the above plants and machinery to equip them.

The Agency gives subsidies to interest on bank credits in the above listed cases if the following conditions are met:

- the plan for the undertaking is approved by an agricultural advisory centre
- the amount covered by the subsidy to interest does not exceed 80% of the value of investment outlays or 3 billion zlotys per farm and does not exceed 70% of the value of investment outlays for special sectors of production, agricultural and food processing or services for agriculture (the limit amounts to PLZ 10 billion). Irrespective of the number of its undertakings, the economic unit can get preferential credits totalling PLZ 10 billion,
- interest cannot exceed 1.5 of the rediscount credit rate, of which the debtor pays up to 20% per year and the difference is repaid to the bank by the Agency.

The Agency can also give credit guarantees or credit repayment guarantees at commission of 1%. The guarantees pertain exclusively to credits given by banks which have signed an agreement on subsidies to interest with the Agency. The decision in that matter is taken by the chairman of the Agency.

4. The Agency also supports the development of the infrastructure:

- construction of water pipelines and sewage systems in rural areas,
- development of the telephone system in rural areas,
- gasification of rural areas.

These goals are funded from foreign aid and credits.

5. The Agency supports the development of entrepreneurship activities of persons residing in a commune (a unit of territorial division) which meets two of the three conditions:

- was included among communes with high structural unemployment,
- the revenue of the local budget per capita is below a half of the country average for rural communes
- the average size of individual farm is below the national average.

The Agency can take over the repayment of up to 50% of the credits taken for an undertaking.

6. The Agency can also finance purchases of equipment necessary for activity aimed at raising and changing occupational qualifications and advisory activity connected on production, processing and sales of agricultural and food products, functioning of the market, the rural infrastructure, creation of new workplaces as well as management and agricultural accountancy (Czechowski, Marciniuk, Przybylska 1995, pp. 66-68).

From the above premises it follows clearly that Polish agriculture faces a number of changes and transformations. These changes will not always find general acceptance on the part of rural communities, which, however, this does not mean that they can be abandoned. The wish declared by our country to join the EU forces out such changes that are acceptable to its present members and will allow our agriculture to be treated equally and to compete with agriculture of the other EU members. It should not be forgotten the interests of Polish farmers will not always go hand in hand with the interests of farmers from the other member states. From this fact it follows clearly that any changes aimed at raising the level of efficiency of Polish agriculture as well as quality of its products will be easier to carry out at the time of adjusting our country to integration than at a later period when most decisions will have to be approved by the EU institutions. The carrying out of the necessary changes will entail changes in the banking

regulations concerning credits for agricultural purposes. The changes already made need to be widened and the control mechanisms needs to be simplified.

Any efforts aimed at increased competitiveness of Polish agriculture have to be accompanied by an information and education action on a wide scale in order to familiarise rural communities with the goals and sense of the undertaken activities. Otherwise they may meet with lack of understanding and acceptance and consequently give rise to dissatisfaction and objection, that is to say an effect contrary to the intended one.

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