

THE SOLUTION TO THE AGRARIAN QUESTION IN POLAND IN THE LIGHT OF THE CONCEPT OF SUSTAINABLE DEVELOPMENT

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ABSTRACT

Nearly three years after the integration of Poland into the European Union and after a considerable part of the rural population has been covered with the principles of Common Agricultural Policy, the Polish agrarian question remains unsolved. The aim of this study is to evaluate the impact of changes in the European model of agriculture on the sustainable development of rural areas and agriculture in Poland. The sustainable development considerations cover three planes: ecological, economic and social.

Key words: Polish agrarian question, agricultural policy, sustainable development

Introduction

Modern development of the economy, including agriculture and the entire food industry, leads to degradation of the natural environment on a large scale. After a period of delight with the effects of agricultural activity in the second half of the twentieth century, measured by the high yield of crops, productivity of animals and work efficiency, awareness of the consequences of such development is increasing. Despite the fact that the awareness of negative consequences of excessive artificial fertilization, the use of a high amount of plant protection chemicals, increasing arable field areas and cutting down in-field trees is not yet widespread, social movements advocating "nature-friendly" actions are growing in strength. Nowadays, not only the most fervent defenders of the natural environment participate in these actions, but politicians and consumers as well [Runowski 2002].

Various types of risks appearing in areas where consumers' health or even life is endangered are a source of growing awareness of the threats resulting from intensification of agriculture. Western European countries see the increasingly more negative natural, social and cultural, and economic effects of the current EU Common Agricultural Policy (CAP) connected with the present form of conventional agriculture. The manifestation of the BSE disease in Europe caused a great shock, because almost at the same time a new variant of Creutzfeldt-Jacob's disease, a fatal brain disease, was found, which with high probability spreads from animals to humans. That is why the Ministry of Agriculture in Germany was transformed into the Ministry of Consumer Protection, Food and Agriculture. At the beginning of 2001, the German government saw the necessity for a new orientation of agricultural policy and proclaimed a new model of production for consumer safety, quality of production and conformity with

environmental requirements. The famous notion of a "turn in the tide of agriculture" (German *Agrarwende*) appeared. The foundation for the success of the "turn in the tide in agriculture" is supposed to be continued consultancy with important groups of social actors, who are referred to as the "magic hexagon" of the turn in the tide in agriculture, that is consumers, farmers, the fodder industry, the food industry, retail trade and politics. The mounting crisis in the ecological foundations of agricultural production is arousing considerable interest in the problems of durability, and ecological agriculture best fulfils such requirements. The essential ingredient of consumer protection becomes the advancement of ecological and integrated agriculture, as well as the various forms of controlling food safety [Kocemicki 2005].

It is obvious that the growing interest in food safety as such is not the only stimulus that augments the resonance of the discussion on the contemporary path of the development of agriculture. This is because in the agriculture of developed countries there still are several, as yet unsolved issues, the most important of which are:

- income discrepancies (disparities) between the farming population and people employed outside of the agricultural industry,
- work efficiency lower than in the non-agricultural activity,
- low competitiveness of agricultural products in countries with a low or medium level of development as compared to economically well-developed countries [Klank 2006].

All the above-described processes led to a conventional sectoral common agricultural policy targeted mainly at the objectives of agriculture, and farmers taking the non-agricultural aspects of the development of rural areas into account more and more. It is not surprising, as CAP (Common Agricultural Policy) was based on two pillars, a sectoral pillar focused on the development of

agriculture, and a territorial pillar which takes into account non-agricultural economic aspects, environmental issues and social issues of the rural environment. At present, the revaluation of the policy of agriculture itself is noticeable. The complete implementation of the principle of sustainable development can be obtained through multifunctionality of agriculture, in which various dimensions of sustainability are expressed: environmental, economic and social, as are various areas of agricultural and non-agricultural activity in rural areas [Adamowicz 2004]. In these conditions, new strategies of further development of rural areas and agriculture emerge, based on the concept of "sustainable development," which accounts for the above-mentioned problems. So far, the EU Common Agricultural Policy has been far from compliant with this sustainability concept.

The sources of the complex peasant issue in Poland

M. Halamska points to the social and economic environment, shaped differently by history, which determines the specific nature of the agrarian changes in Poland. She draws our attention to more than 40 years of delay in "the end of peasant era" as compared to similar transformations in West European countries. [Halamska 2005]. It is worth indicating here the sources of the peasant community, formed at the turn of 19th and 20th centuries, consisting in the fight for land, agrarian reform, modernization of rural areas, education of peasants' children, fought by peasant political parties and rural youth organisations [Fedyszak-Radziejowska 2001]. "The other Europe," stretching behind the Elbe, which included Poland, in the 19th and at the beginning of the 20th century meant the expanse of large farmsteads and the "peasant issue" well-known to Poles. Peasantisation of agriculture took place relatively late here. In Poland, this process was marked with abolition of serfdom in the mid 19th century, interwar agricultural reforms and the important conflict between the peasantry and landed gentry in Poland between the world wars. The conflict was resolved, radically and not quite in line with peasants' expectations, by the socialist agricultural reform in the People's Republic of Poland in 1944. The result of the reform was not only the liquidation of approx. 10 thousand gentry estates, each covering an area of approximately 400 hectares. From as much as 30% of the land obtained from the reform on former Polish territory, State-owned Farms were created, and 47% was given to landless people, in most cases former grange workers. The largest group of farms, as many as 1.5 million, established as a result of the reform, were small farms of approximately 2-5 hectares. Another important effect of

the reform of 1944 was blocking the process of concentration of land; the number of farms covering a area less than 2 hectares and more than 20 hectares decreased. An increase of the position of medium-sized farms proved to be the most durable and long-term effect of that reform [Fedyszak-Radziejowska 2001].

After 1948, the process of depeasantization through the collectivization of agriculture began in Central Europe. The collectivization process did not take place in Poland. The complex socioeconomic process, which in Western European countries took at least several dozen years, in the Soviet Union and other countries was attempted to be carried out using political operations in a much shorter time. None of these processes took place in Poland. The peasant agriculture in Poland did not undergo the processes of farmerization, not only due to technological gap as compared to Western Europe, but most of all due to the fact that the peasant economy after World War II was excluded from the area of impact of free market mechanisms. However, what is even more important, collectivization in Poland was unsuccessful [Halamska 2005].

The characteristic, for socialist Poland, ideological war on "kulaks", that is on the elite of peasantry, compulsory quota, problems with access to farming machinery, no ownership titles to land coming from the agrarian reform, and limitations in trade of land between farmers, form the modern history of "the peasants' harm." The end to some of the major limitations came as late as in the 1970's. However, the 1990's are the period in which rural areas absorbed the problems of urbanised areas, when hundreds of thousands of workers in "large building sites of socialism" were made redundant. In the years 1989-1998, as many as 217 thousand of the former inhabitants of rural areas returned to the countryside from workers' hotels [Fedyszak-Radziejowska 2001]. These are some of the indicators that illustrate the situation of Polish agriculture at the end of the 1990's (1998-1999) [Wilkin 2000]:

- the agricultural parity dropped to the level of approx. 38-40 %,
- the percentage of farmsteads with enough financial resources to invest and modernise their production potential was approx. 2 %,
- in the majority of farmsteads, the processes of decapitalisation of production assets took place,
- j of the gross added value produced by the agricultural industry was taken over by other economy sectors,
- the transfer of the added value from agricultural industry was compensated by the

transfer to the farmers in the form of subsidies from the budget to the KRUS fund, which, however plays mainly a social function,

- in 1999, the value of bank deposits of individual farmers (already very low) dropped by approx. 23%, and almost 80% of farmers had no bank savings at all,

- the access of the youth in rural areas to secondary and higher education became even harder in the 1990's than in previous decades; youth from rural areas constitute as little as 10% of full-time higher education courses, of which youth from peasant families was as little as 4% (one needs to bear in mind that the population of rural areas constitutes 38% of the population of Poland and the peasantry is more than half of the population from rural areas).

All this was because in recent decades in Poland we went through critical, often difficult and painful, experiences inherent in the advance of new concepts of agrarian theory and practice (the system's transformation and the end of the 45-year-long period of enforcement of centrally-controlled economy, and the special role of the peasant family economy in that system).

In well-developed countries, the fast pace of changes in economy, growing competitiveness, technological and organisational advancements, as well as the concurrent social changes, led to the "end of the peasantry era" (as Mendras called it). In the modern competitive economy, only a farmer, and not a peasant, was able to survive. This is the experience, a sometimes painful one, of a large group of peasantry farmsteads in Poland in the period of so-called post-socialist transformation and adjustment to the conditions of the European Union. Paradoxically, the largest and the most imminent threat to the peasant-type economy in Poland proved to be modern capitalism, and not the planned economy or the socialist state [Wilkin 2005].

The transformation of peasants into farmers, who play the role of entrepreneurs in the competitive market, is a time-consuming process and can include only part of peasant farmsteads. It is estimated that not more than 1/3 of farmsteads in Poland have a chance of this type of transformation [Jywiak 2003].

The problems of farmsteads adjusting to the quickly-changing conditions of the agrarian environment are the source of the so-called agrarian question. This question was not resolved with the transformation of the peasant economy into the modern farmer economy. Obviously, farmsteads that are market-oriented and operate according to the principles of a modern enterprise based on know-how can adjust much more easily to the new economic

conditions than their peasant predecessors. This mere fact, however, does not eliminate the sources of the agrarian question, because the question is posed anew in new forms and is the main cause of the extensive interventionism of the State in agriculture [Wilkin 2005].

Summing up the agrarian policy of the government in the 1990's, J. Wilkin states that the policy was both incoherent and unstable. It changed as frequently as the ministers of agriculture. There was no clear vision of the development of agriculture, strategy or comprehensive programs for restructuring and modernisation. Predominant were short-term objectives, extemporary interests and conceptual helplessness in the development and implementation of agrarian policy, corresponding to the scale of the challenge confronting agriculture at the turn of the 20th and 21st centuries. The problems of agriculture and the rural area population were not matched by the appropriate interest and involvement of the wider public and major social circles outside of rural areas. The questions of the rural areas and the agriculture were scarcely presented in the mass media, and were often distorted. Intellectual elites, who represented the needs of the rural population, including farmers, were insignificant and weak [Wilkin 2000].

As a result of the above-mentioned transformations in Poland, we are dealing with a group of approx. 1.8 million small farmsteads with an average area of 8.44 hectares of cultivated land (CL) and 9.60 hectares of total area. There are 1.97 million people employed in the Polish agricultural sector, or approx. 16% of the economically active population. The employment rate per 100 hectares CL is at the level of 23 persons. The above factors, as well as a number of other factors not mentioned here - for example, the level of prices of agricultural products and means of agricultural production, the production technologies used, as well as soil and climatic conditions (by approx. 30% less advantageous than the average for agriculture in the EU-15 countries), etc. - are reflected in the economic power of farmsteads in Poland.

In the structure of farmsteads in Poland (for the years 2003/2004) according to the economic size, as much as 69.8% were small farmsteads - up to 8 ESU (European Size Unit), 28.4% were medium-sized farmsteads - 8-40 ESU, whilst farmsteads above 40 ESU constituted 1.8% of all the farmsteads. For the sake of comparison, it is worth adding that in the same period in EU-15 agriculture, this structure was as follows: up to 8 ESU - 31.8%; 8-40 ESU - 25.0%; and above 40 ESU - as much as 25.7% [Agriculture... 2005].

The economic threshold adopted in the Polish

FADN (The Farm Accountancy Data Network) in 2004 at the level of 2 ESU is very low. Only one "old" Member State located in the same climatic zone as Poland – Ireland – has an equally low threshold. The other States are at a level four times (8 ESU – Austria, Denmark, Finland, France, Luxemburg, Germany, Sweden, Great Britain – Northern Ireland) or eight times higher (16 ESU – Belgium, the Netherlands, Great Britain). This comparison shows that Poland has several times weaker farmsteads in terms of economy than almost all "old" Member States [Rowicki 2006].

By the force of events, the above-presented structural weakness of agriculture has to have a negative impact on work efficiency. A simple estimate shows that work efficiency is 5-6 times lower than average work efficiency in the Polish economy (approx. 16% of the economically active population produces approx. 3% of GNP). The consequence of such a low work efficiency is low income of people employed in agriculture, as I have already illustrated with the size of disparity of agricultural incomes.

The place of Polish agriculture in the European agriculture model – dilemmas

First of all, sustainable growth of the agriculture, characteristic for the European model, needs to be increasingly more based on diversification of production, innovativeness and the manufacture of products with high added value, which are sought by the consumers. In such an environment, running a farmstead requires continued investments. This is possible only if two conditions are met. The first condition is profitability of production, and the second one is the level of income ensuring not only an appropriate standard of living but also making investments possible. Considering the structure of the economic size of Polish homesteads, the latter condition is fulfilled by only a small part of farmsteads. The majority of the remaining farmsteads do not earn income at an appropriate level and have no possibility of obtaining such an income in the future. In FADN methodology, a commercial farm is "a farm which is large enough to provide a main activity for the farmer and a level of income sufficient to support his or her family". Therefore, the commercial farm has to achieve at least a minimum threshold of economic size. It is hard to expect that in Polish conditions, a farmstead of economic size 2 ESU will fulfil the criterion of sufficient income. In Poland, this condition is met, as in the "old" Member States, only by farms of the economic size of 8-10 ESU [Rowicki 2006]. Similarly, based on model calculations made based on the data for the first few months of 2004, a 15 hectare farm on poor soil and with an average level of crop output and high level of animal output (annual

sales of 200 swine), even in an advantageous market situation, is not able to provide sustenance approaching the parity and the accumulation. Only intensive animal production (25 dairy cows) in a 30 hectare farm ensures the parity standard of life and the chances for the development of the farm [Pocza 2005].

It is worth pointing out here that farms covering an area of more than 30 hectares constitute as little as 3% of all farms in Poland, whilst the percentage of farms exceeding 8 ESU in the structure of Polish farms is 10.6% [Osuch et al. 2004]. This means that less than 10% of all the farms in Poland would have a chance of finding their place in the European model of agriculture.

The divergences presented here need to be complemented with two more elements. An optimistic element for Poland is the fact that these very farms have assets sufficient for making use of CAP structural funds (the funds appropriated, among other things, for modernisation of farms, but only for regions which show signs of a development gap in agriculture). On the other hand, a worrying element is the process of succession of agricultural farms in the EU-15. As can be seen from agricultural data, in the agriculture of all the 15 "old" Member States, the group of farms up to 50 hectares is "shrinking" (the exception is Ireland – up to 30 ha) [Klank 2006]. This is proof of a lack of interest (in particular among young farmers in Western Europe) in running a farm, which we in Poland today regard as having prospects for future development. Therefore, what is the place for Polish agriculture, if our farmers are convinced that the income from such agricultural production (at their farms) will not provide them with the proper standard of living in the long term? This dilemma will undoubtedly be reinforced with the improvement of the overall economic situation in Poland and the increase of attractiveness of job offers in non-agricultural sectors of economy.

Secondly, Poland, as a Member State of the European Union, participates in amending the Community policies, including CAP. There are going to be a lot of opportunities for promoting Polish preferences as regards the state of EU agricultural policy in the years to come. In this respect, one can enumerate several dilemmas of Poland in the implementation of CAP in its present form and in formulating the position with regard to its reforms [Guba 2006].

Should we maximize the absorption of EU funds at the expense of effectiveness of their utilization?

For fear of incomplete absorption of EU funds, part of these funds within the 2nd pillar for the years 2004-2006 were appropriated for complementary

direct payments. Similarly, a relatively high share within the 2nd pillar in this period is for LFA – relatively easy to implement, however, with very little positive impact on changes in agriculture and in rural areas. Today, however, it seems that relatively high effectiveness of absorption of EU funds in this period makes it possible to increase the role of effectiveness criterion in the development of CAP in Poland for the years 2007-2013.

Should we maximise production effects (competitiveness) at the expense of social effects?

This dilemma is of paramount importance, as support for income is clearly defined as the main objective of CAP – the needs related to supporting incomes are, on the other hand, the highest in the group of the smallest farms. On the other hand, the mechanism of gradual transition to the full level of direct payments (phasing-in) provides grounds for ascertaining the need for concentrating the resources on actions which balance the competitive inequality. Thus, what should be done – should we support commercial farms, in most cases larger and often obtaining high income, or smaller farms with low income and with limited chances for survival in the increasingly competitive environment?

To what extent should we consider CAP costs for the remaining social groups?

In Poland, which is a country with a population earning a relatively low income, when considering the distribution effects related to CAP, one must not disregard the level and the distribution of the costs of such policy among taxpayers and consumers.

Should we support specific and thus more effective instruments, bearing in mind the fact that they require much higher institutional costs?

In the analysis of agricultural policy, we increasingly often find a recommendation to depart from traditional forms of support for the benefit of instruments of specific operation. This is one of the motives for which the instruments for the development of rural areas (CAP 2nd pillar) are preferred over the instruments of CAP 1st pillar (price support as well as direct area payments). However, one needs to bear in mind that the instruments of the 2nd pillar entail much higher requirements as regards the implementation institutions, which in turn might mean high costs of implementation, both for the budget and for the beneficiaries. In extreme cases, poor abilities and low effectiveness of the implementation institutions can decide the rationale for certain options of agricultural policy.

Will Poland benefit from these CAP instruments which limit production growth (quota) and distort the competitive environment?

Production quotas in CAP make it possible to maintain the EU market price above the world market price, and for this reason they are in general beneficial for agricultural producers. However, this assessment is more complex in the case of a country whose quota is far below the production potential, and which has cost advantage in the given field, at least as part of the unified market. This is the case for the milk quota in Poland, following accession to the EU. The dairy production sector in Poland is gradually becoming a real dilemma. Should we opt to maintain the quoting of production in the EU, in the case when: this sector has the cost advantage, letting it produce at competitive prices as compared to other EU States; the quota level proves to be particularly restrictive from the point of view of future growth of production and restructuring; the price support in exchange for a quota system is increasingly low, due to the reduction of intervention prices and, most probably, gradual ending of export subsidies.

Summary

The question arising here is: “Which changes in the Common Agricultural Policy will impact the sustainable development of rural areas and the solution to the agrarian question in the perspective of the years to come, assuming that the solutions stemming from the concept of sustainable development will be consistently implemented?”

The fulfilment of the sustainable development concept in the Polish agriculture faces a number of barriers. These barriers can be reduced to social barriers (low level of affluence of the majority of the rural population), economic barriers (lack of investment opportunities related to technology modernization and environmental protection), intellectual and mental barriers (low level of education, low ecological awareness), ethical barriers (no clear social opposition against improper activity of entities towards the environment), legal barriers (insufficient or imperfect legal instruments and still worse law enforcement), or social barriers (high unemployment and the resultant demoralization).

However, first, concrete solutions that facilitate the fulfilment of the sustainable development of rural areas and agriculture need to obtain the acceptance of both politicians and farmers. Above all, however, success is dependent upon the market response. One needs to be aware of the fact that the sustainable development concept and the European model of agriculture do not go hand in hand with globalisation and the principles of international exchange.

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