

# **THE PROSPECTS OF THE INTEGRATION OF THE POLISH AGRICULTURE TO THE EUROPEAN UNION**

Lech Palasz, Gregorz Spychalski

Prof. dr hab. Lech Palasz, Dr inż. Grzegorz Spychalski

Akademia Rolnicza w Szczecinie

## **Summary:**

Intruduction of the market economy rules into Polish agriculture created the chances of its modernization and restructuring. In the long-term conditions this process should be compatible with the European Union agricultural policy. So the paper presents the most important features of the common Agricultural Policy Reform (considering World Trade Organization principles) and the Polish circumstances of the food economy.

It is discussed in the context of the association agreement of Poland with the European Union.

## **Anotace:**

Zavedením pravidel tržního hospodářství se v polském zemědělství vytvořily možnosti jeho modernizace a restrukturalizace. Z hlediska dlouhodobé perspektivy by tento proces měl být slučitelný se zemědělskou politikou Evropské Unie. Práce tedy představuje ty nejdůležitější rysy společné zemědělské reformy (vzhledem k zásadám světové organizace obchodu) a situaci potravinového průmyslu v Polsku.

Práce pojednává o zmíněných aspektech v souvislosti s dohodou o přidružení Polska k Evropské Unii.

## **Key words:**

Common Agricultural Policy, Integration, European Union

## **Klíčová slova:**

Společná zemědělská politika, integrace, Evropská Unie

## **Introduction**

The European Agreement of association of Poland with the European Union was signed on December 16, 1991. Its trade part came to practice on March 1, 1992 in the form of an interim agreement. It should have been recognised by Polish Parliament, European

Parliament and Parliaments of all member countries of EU. Because of this procedure the recognition process lasted until the end of 1993. So practical implementation was delayed until February 1, 1994.

One of the main foundations of the associated agreement was economic reason relating to the need of modernization and structural changes of the Polish economy, especially the agricultural sector. It means mainly the technology transfer, economic efficiency improvement, the creation of modern bank and financial systems, improving Polish products' competitiveness<sup>1</sup>. In a structure of Polish export 14 % goes to food products so integration process is a crucial one for the country external activity and international trade balance.

### **Common Agricultural Policy Reform**

In 1992 the very important period of far - reaching changes to the common agricultural policy (CAP) began. Since 1957 when the Rome Treaty started integrated measure of agricultural market, there was decisive point for the food producers.

These decisions bring to an end a period of uncertainty which began several years earlier and was characterized by a search for solutions to the problems of agricultural surpluses and budgetary restrictions which attempted to achieve a more rational pattern of agricultural production, while also taking into account other considerations, such as the environment, farmers' incomes and the whole economy of rural areas.

Moreover it has been occurred that the costs of state intervention into agricultural market are far too high, reaching lately the level of 60 % of all European Union budget.

Decisions relating to markets were taken on a number of occasions from 1984 onwards. These covered: milk quotas, stabilizers (the introduction of maximum guaranteed quantities) and co-responsibility levies, alongside structural measures to promote afforestation, protect certain areas with a fragile environment, diversify agriculture and encourage the set aside of cultivated land.

Although the reform makes fairly wide-ranging changes into the rules in force hitherto, it does not affect the principles of- single prices in the EU

- community preferences in the market
- responsibility and financial solidarity of the countries-members.

So main three foundations of thirty years practicing of common agricultural market. The Union which is self sufficient in the main agricultural foodstuff products, no longer needs to seek increased production except to the extent that an outlet can be found for surpluses.

---

<sup>1</sup> The paper is the result of the work ordered by Polish Researches Committee "Restructuring of state agriculture in north western Poland considering the experience of north eastern Germany" (5S30901707)

As the foremost world agricultural trader the Union by changing its rules is stating its willingness to join the movement towards freer trade advocated at international level while preserving the basic principles and instruments of the CAP.

Considering the new World Trade Organization rules of international agriculture cooperation as the result of GATT negotiations an CAP reform the following topics can be underlined:

1. Acces (import regime)

Border protection measures are changed into customs tariffs. These tariffs are reduced by 36 % over a period of 6 year average). It's a chance for emerging free market economies like Poland.

2. Internal support

Internal support (subsidies) is reduced by 20 % in comparison with the level of 1986-1988. The calculation is done globally for all products together.

3. Export commitments

Two commitmens are foreseen:

- the reduction, product by product of direct export, subsidies by 36 % over 6 years from the average outlay 1986-1990,
- the reduction, product by product, of volume of subsidised exports by 21 % over 6 years from the average exports 1986-1990.

This reduction can be done by unequal annual installments, so as to ensure a certain flexibility.

4. Rebalancing

It relates mainly to trade between EU and United States in the field of non-grain feed ingredients to find a mutually acceptable solution.

5. Peace Clause and following up to the oilseeds panel.

This is a agreement on the creation a separate base area for the production of oilseeds benefitting from a specific aid regime.

The example of these undertakings is shown in the table 1.

All presented changes are the important base for the future situation of Poland in the context of increasing and integration process.

Table 1

### Quantity Reduction Commitment on subsidised Exports

(21% reduction on all individual products 1000 tonnes)

	Base Volume	1994	1995	1996	1997	1998	1999	% Cut base
Wheat and wheat flour	17008	16413	155817	16222	14627	14032	13436	21,0%
Coarse grains	12625	12183	11741	11299	10858	10416	9974	21,0%
<b>All cereals</b>	29633	28596	27559	26522	25484	24447	23410	21,0%
Butte and Butteroll	464	447	431	415	399	382	366	21,0%
Skimmed milk powder	308	297	286	276	265	254	243	21,0%
Cheese	386	372	359	345	332	318	305	21,0%
Other milk products	1188	1146	1105	1063	1022	980	939	21,0%
<b>Milk products</b>	2346	2263	2181	2099	2017	1935	1853	21,0%
Beef meat	1034	998	962	925	889	853	817	21,0%
Pigmeat	492	475	458	440	423	406	389	21,0%
Poultrymeat	368	355	342	329	316	304	291	21,0%
<b>All meat</b>	1894	1828	1761	1695	1629	1563	1496	21,0%

### Chances of Polish Agriculture in the integration

The are two main reasons for Polish association agreement, and will of future integration with the European Union.

The first one is the political factor. Joining the European System Poland can get a safe place in the international community. It is strongly supported by our historical experiences and geopolitical situation. That's why the principle of Polish foreign police is to become a member of NATO and European Union.

The second reason is related to our economy transition period and introducing the free market rules. This process is not only costly but sometimes very complicated especially in the field of food economy. In this aspect agriculture problems in the association agreement can be described by two features:

- 1) the economic one - where the European Union can be the source of modern technology and know-how for the individual farms as well as for food processing plants or institutions preparing quality standards and production rules.
- 2) the trade one - trade of Polish food products is the crucial point of the integration process with the EU. The free trade is to be introduced in ten years period. But in the meantime there are several proposed solutions to improve the volume of mutual turnover in the conditions of the World Trade Organization (former GATT). Among the other measures there are export limits for Polish products gradually increased.

On the other hand European products can be easily imported to Poland without strict levies.

These procedures are introduced considering long-term changes in the Polish agriculture, mainly the structural ones. This is the most difficult problem and it will take a

long time. Almost 50 % of the Polish farms (nearly 1 million) are still in the stagnation phase of the economic crisis. In this number some of them are going to stop the agricultural activity at all. The other ones are taking into consideration the diversification of the economic activity (agritourist, services).

With the comparison to the Union farms 99 % of the Polish agricultural enterprises do not employ constantly any external labour force, 84 % farms use only farmers' family work force, 15 % use seasonal workers, and only 1 % have permanent worker(s).

Another point is connected with the size structure of farms. The average acreage of Polish farm is about 5,5 hectares and only 6 per-cent of the farms have more than 15 hectares of the land. To compare these figures with European reality we present [table 2](#).

Table 2

### Structure of the European Union farms according to the size groups

Countries	Farms number (in thous.)	Size groups						Average size 1 ha	Average size (total)	% of farms 50% incomes from agriculture
		1-5	5-10	10-20	20-50	50-100	100 and more ha			
Germany	670,7	24,9	17,7	22,1	24,8	5,2	0,8	17,6	16,8	53,2
France	911,8	18,2	11,8	19,2	32,8	13,6	4,4	30,7	28,6	62,7
Italy	1974,0	67,9	16,8	8,7	4,6	1,3	0,7	7,7	5,6	57,1
Holland	117,3	24,9	18,4	25,0	27,3	4,0	0,4	17,2	14,9	80,5
Belgium										
Luxemburg	82,6	27,3	17,7	23,9	24,4	5,7	1,0	18,0	15,4	66,3
Great Britain	242,9	13,5	12,4	15,3	25,4	17,5	15,9	68,9	64,4	54,5
Ireland	216,9	16,1	15,2	29,2	30,6	7,3	1,6	22,7	22,6	64,1
Denmark	86,0	1,7	16,3	25,3	39,4	13,8	3,6	32,5	32,2	94,5
Greece	703,5	69,4	20,2	7,6	2,5	0,4	0,1	5,3	4,0	70,8
Spain	1539,9	53,3	19,0	12,3	9,4	3,6	2,4	16,0	13,8	39,1
Portugal	384,0	72,5	15,0	7,2	3,4	0,9	1,0	8,3	5,2	115,6
Total	6929,6	49,2	16,8	13,5	13,7	4,7	2,1	16,5	13,4	59,2

1) Source: Eurostat 5, 1990, CECA-CEE-CEEA, Brussels-Luxemburg 1991, Agriculture and Food economy 1986-1990

Polish Statistical office Warsaw 1992.

The only way of improving this situation is to reduce the number of market-producing farms and increasing the average acreage of Polish farm. In the context of integration with the EU Poland can do this with the help of:

- economic and financial assistance of the European restructuring funds like OECD or bank system,
- improving the agricultural market infrastructure including the boards of trade, food auctions, local wholesale centres and central information system,
- diversification of the agricultural activity especially in the structural unemployment areas and in the areas former owned by the state farms,
- preparing long-term scenario for joining Polish agriculture into European market,
- introducing the rules and methods of ecological agriculture for the small farms having difficulties in the free market reality,

- institutional help from government and non-governmental organizations with the regional solution of food producers and processors.

## **Conclusions**

Current situation of Polish agriculture and rural areas is determined by the transition period to market economy. Strong conditions of economic analysis and demand supply rule are very difficult for many farmers and their families.

Integration process with the European Union creates the important chance to restructure and modernize food economy as the whole. It will need to focus on the most efficient economic farms which deliver more than a half of products to the market. They can be a sort of initiative force for the agriculture. But to ensure the success of the changes we should imagine that.

1. Integration procedure will take a long time and will cost a lot of material and non-material expenses.
2. Polish food producers will have to change their mentality to accept the European standards.
3. Polish agriculture mainly based on the private farms run without direct subsidies has an important handicap in the competition with European countries.
4. Common Agriculture Policy gave a lot of good to the farmers but made a lot of problems with the good surpluses and society (budget) costs in the European Union.

According to all these points anyone must consider all the chances and threats of integration process with the European structure.

## **References**

1. Adamowicz M.: Indications of CAP reform and GAAT negotiations for the Polish agriculture transformation - proceedings of the conference on . Agribusiness in the market economy. University of Agriculture in Szczecin , Extension Service Centre, Barzkowice, 1993.
2. CAP Working Notes, The reform of the common agricultural policy, 1992 Brussels.
3. Palasz L. - Polish family farms transition to the EU conditions, 1995 University of Kopernik in Torun.