

## The processes of polish agriculture adaptation to the demands of market economy

Eugeniusz Otoliński, Andrzej Kotala

Agricultural University of Cracow, al. Mickiewicza 21, 31-120 Kraków, Poland

### **Summary:**

As a result of transition to market economy which took place at the turn of the eighties the situation in the country and in agriculture in Poland changed completely. While trying to adjust to the new reality farms decreased their production and limited expenditure. In consequence a decrease in the intensity of agriculture reached on the average 30% while in some regions it was even 50%. Only a small number of farms cope sufficiently with the requirements of market economy. The majority encounters severe difficulties in adapting to new way of farming. The situation is especially difficult in the formerly state owned sector of agriculture which is undergoing a process of reforms.

In our paper we have showed the activities aimed at facilitation the process of farmers` families adaptation to new social and economic conditions. These activities need active support from state policy and guarding of the food market, as well as proper non-agricultural use and multi-functional development of rural areas.

### **Anotace:**

Polské národní hospodářství a zemědělství prošly v důsledku přechodu k tržní ekonomice, který se uskutečnil na přelomu osmdesátých let, výraznými přeměnami. Zemědělské podniky ve snaze o přizpůsobení se nové realitě snížily objem zemědělské produkce a omezily náklady. V důsledku toho dosáhl pokles intenzity zemědělské výroby v průměru 30 % a v některých oblastech dokonce 50 %. Pouze malá část zemědělských podniků byla schopna se úspěšně vyrovnat s nároky tržní ekonomiky. převážná většina musí v procesu přizpůsobování se novým způsobům hospodaření čelit značným obtížím. Zvláště složitá je situace v bývalém státním sektoru zemědělství, který prochází procesem reformem.

Ve svém příspěvku jsme poukázali na aktivity zaměřené na podporu přizpůsobovacího procesu zemědělských rodin vůči novým sociálně-ekonomickým podmínkám. Tyto aktivity vyžadují aktivní podporu státní zemědělské politiky a ochranu trhu potravin, jakož i podporu mimozemědělského využití a multifunkcionálního rozvoje rurálních oblastí.

### **Key words:**

market economy, restructurization of agriculture, property transformations, unemployment, multi-functional development of rural areas

### **Klíčová slova:**

tržní ekonomika, restrukturalizace zemědělství, transformace vlastnictví, nezaměstnanost, multifunkcionální rozvoj rurálních oblastí

Up till the fall of authoritarian and distributive system in Poland Polish rural community could enjoy a relative peace of mind. In spite of lasting income disparity, difficulties in acquiring the means of production and many beaurocratic obstacles the "economy of deficiency" absorbed every amount of agricultural products which individual

farmers were able to supply. Although, due to small arable areas, many individual farms did not bring income sufficient for the families' support and agrarian policy made the land turnover difficult within the peasant sector, still non-agricultural sectors of economy provided an easy access to places of employment. So, the demand for both agricultural products and labour was practically unlimited.

The authoritarian and distributive system lasted long enough to allow farmers' families to get accustomed and work out proper strategies to overcome the difficulties.

Transition to market economy, which occurred in Poland in 1989, revealed many weak points of national economy, including agriculture. In new economic situation productivity, which in agriculture depends on interrelations between the land, capital and labour, became the most important. Individual farming, particularly in the regions where arable lands are fragmented and employment in non-agricultural sectors is high, found itself in difficulties. Moreover, Polish rural community faced some long-forgotten threats, like a barrier to the demand for agricultural products or lack of employment outside agriculture.

A rapid change on Polish agro-food market was observed as a consequence of transition to market economy in agriculture. Economy of deficiency became the economy of surplus. Such change came as a surprise to agricultural producers, who up till then had been used to easy sales of their products. A decrease in demand and uncontrolled import of food magnified the existing surplus and caused a relative reduction in prices for Polish agricultural products. As a result the profitability of agricultural production decreased considerably, which in turn caused a decline in its intensity. It is estimated that the intensity declined by about 30% on the average and in some cases even by 50%.

The producers responded to difficult situation in agriculture, that is low profitability and sales problems, by a reduction mainly in animal production (e.g. a considerable dwindling of sheep and cows population was noted) and by attempts at lowering the costs, limiting the investments and turnover means purchases. Some processes leading to more extensive agriculture have been observed lately, particularly a considerable decrease in mineral fertilization, liming and a much lower use of pesticides, qualified sowable material or ready made concentrates.

The changes which are observed in Polish agriculture involve all forms of property but they are particularly far-reaching on the formerly state owned farms. The restructurization process which is taking place there causes numerous problems, hard to solve over a short period of time.

The property transformations started in agricultural enterprises in 1991 involved over 3 million ha of arable lands with almost 350 thousand farm workers. A special State Treasury Agency for Privatization of Agricultural Sector (Agencja Własności Rolnej Skarbu Państwa) was formed in order to take over all formerly state owned property and supervise its privatization on the basis of national management. The acquired property is being re-

distributed through: land sales, setting up companies or passing land under administrative management on the basis of managerial contracts. According to law only economic factors are decisive as to the selection of a future owner of privatized property, so each property should be put to auction. However, owing to slight interest in agricultural production, only very few people are ready to purchase land. Up till 1993 only 50 thousand ha of arable lands were sold. It seems that the privatization process of state owned property in Poland will be a long one, and a leaseholder will play the main role in cultivating lands which have been taken over from the state.

State owned enterprises are heavily in debts which causes a considerable obstacle in the way of state property restructurization process. There are no suitable regulations which would allow for the sale or lease of land without the encumbrance. The Agency is able to pay only a small portion of debts and the other liabilities should be taken over by the State Treasury.

Another important problem appertaining to the state property restructurization process in agriculture is the utilization of the farm workers formerly employed on the privatized farms. In the new situation a social allowance for the unemployed will be the only source of income for many families. However, the problem does not concern only the families once employed in the state owned sector of agriculture. Structural changes taking place in the whole national economy increase the unemployment in the country and cause social disadvantages. People who lose their jobs in state owned enterprises return to family farms and cause an increase in the already high index of employment per land unit. Under such conditions family farms must both perform a social function and secure a living, while at the same time carrying the effects of economic reforms. The status quo cannot last for too long as it might prove too great an obstacle in the way of restructurization of Polish agriculture. The process must be accomplished according to the requirements of the agreement between Poland and European Community signed in 1991.

A discussion on the course of agrarian policy, which is taking place these days in Poland, must involve not only problems of agricultural production but also bring some solutions concerning new places of employment outside agriculture and development of rural areas which would help to lower the number of people working in agriculture without their necessary migration to the city. Such policy should aid all initiatives in agricultural production and particularly in non-agricultural spheres.

In order to prevent and avert the negative tendencies in production it is necessary to strenghten the weakest elements in food economy, especially those connected with pre- and post-production spheres. The best possibilities in this field present themselves in turnover, storage and agricultural products processing. The reconstruction and development of numerous small enterprises would allow a better integration with the producers, creating new places of employment and elimination of losses in many agricultural products.

A plan of multi-functional development of rural areas, so popular in Poland these days, is intended to favour the transformations of socio-professional structure of the inhabitants. The symptoms of non-agricultural professional activities, which have been noted so far, may decide about the new forms of bi-professionalism in the country. The group of people traditionally employed in the industry far away from their homes will be gradually replaced by people who start their own economic activity or those employed at local businesses, small industry, in commerce or services sector. The process has already begun, but its scope is far too narrow for the successful realization of the planned multi-functional rural development.

Suitable political means seem absolutely necessary to initiate and develop further economic activity of peasants. Among those are: a convenient system of bank loans for entrepreneurs, a tax system suited to financial possibilities as well as properly organized systems of advisory services and schooling. Education is particularly important for the changes taking place in the country and in agriculture. Starting any new business requires at least some legal and economic knowledge. In spite of legal advice already provided we consider necessary a development of the advisory services adjusted to the specific needs and tradition of a given region. Even such alternative activities as: agrotourism, production of ecological (healthy) food, home processing of agricultural products, etc. require some basic ecological knowledge. Education in this field is provided partly by advisory services units but its further popularization by other institutions and organizations, and particularly by agricultural schools is indispensable.