

POLAND RECAST. AGRICULTURE AND RURAL DEVELOPMENT DURING A PERIOD OF THE TRANSFORMATION AND EUROPEAN INTEGRATION. AN OVERVIEW

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Abstract

An attempt of this article is to review the system transformation and the European integration in Poland and their impact on agriculture and rural development. In the first part, the transformation of the economic and political system is briefed from a perspective of turbulent Polish history during last 100 years. It is pointed out that a deep recast, enforced since 1989, replaced the “socialist” regime as emerged in late 1940s and covered the very nature of the political system and the national economy. Then, the author deals with the performance of Polish agriculture under the framework of “socialist” Centrally Planned Economy. The unique feature of Polish agriculture is explained – maintaining a dominant position of the peasant sector in a (hostile) collectivized environment of the national economy. From such a context, the system transformation is described. In a concluding part, the performance of agriculture is outlined in the context of the EU association and the membership. The CAP measures and the support from the EU budget for agriculture and rural development is outlined. It is depicted that, Polish agriculture can successfully compete on the inner EU market as is demonstrated by the position of the leading net-exporter of the food in the region. Some conclusions are formulated and development trends are briefed, covering both advantages and shortages of the undergoing processes.

Key words: *European integration, Polish transformation, agricultural development.*

Polish transformations

A stormy story of the one century

The inter-war period

Latin word ‘transformatio’, used in different contexts, means a deep change. Nowadays, the term system transformation is widely used to describe fundamental ‘metamorphosis’ (another Greek expression for the basic change) taking place in countries replacing the Centrally Planned Economy by the market economy system and the “socialist” political regime by an introduction of democratic institutional framework of the state and legal order (Gaziński, 2005).

An overview of Poland’s contemporary history during 100 year span can greatly facilitate the examination of this phenomenon as Poland during such a short period has passed two other transformations: her re-birth from the partition after the 1-st World War and in the second half of the decade of 1940s - the taking over the power by communists.

Poland did not exist on the political maps during the 1st World War - the 123 year long partition period ended in 1918. The newly independent country faced many challenges: to defend the independence (the Polish-Bolshevik war) to define the boundaries (the Great Poland’s and Silesian uprisings) to integrate the territory, belonging before to three different states (miscellaneous currencies, taxes, law regulations, communication networks, etc.).

So early as in July 1919 - well before solving the above issues - the Sejm (Polish Parliament) adopted “A declaration on Principles of the Land Reform”. Related measures, undertaken later, were only half successful: from total c. 25 million hectares of agricultural land, some 4.5 million hectares were assigned to the parcelling from which 2.5 million were parcelled until 1937 (Zaremba, 1981).

Some spectacular achievements marked-up the period 1918 – 1939: reliable zloty replacing Polish mark (Grabski reform), construction of Gdynia harbour, or heavy investments in the COP (Central Industrial District). But acute problems of Polish agriculture remained to be

solved: overpopulation of rural areas, hidden unemployment and spread of the related poverty. Speaking in terms of the transformation, Poland experienced that one of political system during the inter-war period. Twenty years of the development, interrupted by outer and inner conflicts was short and soon cut by the outbreak of another war.

Towards the system of socialism

The end of the 2nd World War did not result in turning back to the former experiences and the continuation of a political and social framework of the state, like in Western European democracies. Instead of, quite a new model of the state had been enforced during the first post-war years, 1944-1948 (Gaziński, 1991):

i) Polish new boundaries cover 54% of the pre-war territory, which decreased from 389.7 thousand km² to 312 thousand km². The territorial loss to the USSR was in fact 178.2 thousand km², and profit (at the expense of Germany) - 101.2 thousand km²;

ii) post-war Poland had only the three neighbours: the Soviet Union, Czechoslovakia and German Democratic Republic - losing Lithuania, incorporated into the SU and moved away from the border with Romania (counting before the war 338 km);

iii) the structure of population changed radically. Before the war, Poland had a population of more than 30% of national minorities (Jews, Ukrainians, Germans - to cite only those more numerous). Currently, Poland has become one of the most ethnically homogeneous countries - the size of the minority does not exceed 3%.

Following that, there was a unification of the religion of the population - Roman Catholic community became dominant with a few hundred thousand Greek-Catholics and Orthodox believers. Protestants are less numerous, and the more - other churches and denominations;

iv) "last not least" the crucial point has to be underlined-radical changes in political and economic system, imposed upon Poland. They deserve to be treated in-depth, separately.

The establishment, on 22 July 1944, the PKWN - Polish Committee of National Liberation (date accepted as a national holiday, cancelled

in free Poland) and later the Provisional Government meant a challenge to the government in exile in London. The first was recognized by the Soviet Union, and the second - by the Western powers. Obtaining international legitimacy by the newly installed regime was therefore one of the most important of its objectives during the transitional period. The opposition worked legally, centered to the President of the PSL, Polish Peasant Party Mikołajczyk, who in London served as a Prime Minister, and in Warsaw - as a Deputy Prime Minister. In its programme, the PSL questioned the rationality of the strategy of rapid industrialization, stressing the need for development of branches of the economy related to agriculture and favouring the development of rural areas and the internal market. The basis of the agricultural system had to be strong peasant farms, ensuring family welfare. The second opposition party was the SP, Labour Party. In addition, other relatively independent associations and organization were active, many of which revived the pre-war activities. It is true especially for cooperatives, whose traditions date back to the 19-th century, the period of the partitions. At that time, authorities tolerated even small private ownership in the industry, trade and commerce. Counteroffensive of the authorities followed quickly after the goal of legitimacy has been achieved. In May 1947, the "battle on trade" has been launched - targeting not only to eliminate private trade but also putting a pressure against small-scale private enterprises and handicraft (Beksiak et. al., 1999).

In Szklarska Poręba, Southern Poland the Informative Bureau of the Communist Parties - in spite of Gomułka's objections - was created to subordinate them to the Kremlin headquarters. This Polish communist leader was not against collectivization of agriculture but perceived it as a long-run process. However, the margin of national sovereignty was not then so vast, prejudging his future. In December 1948, the Polish United Workers Party (PZPR) has been created by the merge of the Polish Workers Party and the Polish Socialist Party with resultant removal of Gomułka from the power (to return to it, once again, and to act as the First Secretary of the

Party in the longest time-span in the history, from October 1956 to December 1970).

The Unification Congress signifies completion of the conquest of power and its exercise by the one party continuously for more than 40 years, until September 1989, when Tadeusz Mazowiecki became the first for decades non-communist Prime Minister in Central and Eastern Europe.

In December 1948, following the Soviet directives, a new economic strategy was introduced – focusing on forced collectivization of agriculture and rapid industrialization (Kaliński, Landau, 1999). In the conventional way, this means the end of the post-war transformation (in Polish literature the term in relation to those times is not used): leaving democratic principles of the state and the market economy for the pursuit of the socialist utopia (Figure 1).



Figure 1. The transformation of the “revolution from abroad”

Performance of agriculture (1944-1989)

Domination of politics over the economy, the inner feature of socialism, means that post-war political and economic periods are the same.

During the first one, the post-war **enforcement of the system (July 1944 - December 1948)**, the land reform was of crucial importance - an issue vitally nurturing Polish society.

According to the “Decree on Land Reform”, land estates were submitting to parceling, those exceeding 50 hectares (“old territory”) or 100

hectares (“new lands”). Temporary political goals, gaining political support, laid behind the reform, though. Allotments of land were very small with resultant farm fragmentation. And of more importance, it was a short-lived step (Góra, 1969).

Seizure of power was accompanied by the adoption of a new economic strategy - that one of **rapid industrialization and forced collectivization (December 1948 - October 1956)**.

The coincide of industrialization and collectivization was not by a case. As Swianiewicz (1965) pointed-out, agriculture was to deliver - filling central plan demands - food supplies and the workforce for the industry, being reduced to a mere “suction pump”.

Furthermore, relatively independent peasant economy was against a logic of the system, striving to control all the forms of social, political and economic life. Extreme pressure was put against the most prosperous farmers, called kulaks (not applied before, a Russian word). As a result, the share of private sector was significantly reduced (but still strong enough to survive) in favour of collective (“cooperative”) and state farms.

The workers rebellion in Poznań led to the transient **“thaw” of the Gomulka’s period (October 1956 - December 1970)**.

Taking the opportunity of increased political freedom and debated economic reforms, majority of farm cooperatives were dissolved.

During that period, collectivization was continued but its forms were much milder than before.

The survival of Polish farmers, unique among the COMECON countries, can be attributed to the two major factors: steadfastness of the Catholic Church, which has survived years of severe repression and reluctance of the peasantry against collectivization, seen as an alien form, imposed from the “East”.

Once more the workers riots, that time at the Baltic coastline, culminated in the political turnover - comrade Gomulka was replaced by **Edward Gierak and his openness to the West (1970 - 1980)**.

With years of work in the Belgian mines, and therefore familiar with the realities of the Western world, Gierak quickly gained confidence, both inside the country (workers response: “we will help!”) and outside its borders. Reference to the communist ideology

was replaced by a slogan: “let's Poland growing stronger, and the people live prosperous”.

The new opening was conducive to relaxation in relations between East-West (e.g. creation of the OSCE) as well as the establishment of diplomatic relations with Federal Germany.

Reforming and modernization of the economy were conducive to foreign loans. Liberalization was manifested by relatively easy travels to the West, or the possibility of collecting the citizen savings on the bank accounts in foreign currencies.

At the beginning of the decade of the seventies, a number of decisions relevant to private agriculture were undertaken. The archaic system of compulsory purchase was abolished, agricultural population has been subjected to general social security framework, including public health service. Another important step was the introduction of farmers' pension scheme. Initially it was connected with the requirement of transfer of land to the state, but later that demand was abandoned (Jeziński and Leszczyńska, 1994).

These beneficial steps can not obscure the other side of the coin. Still in fact they recognized "the necessity of continuing the basic principles of the agricultural policy ... gradual socialist transformation in agriculture" (cited from the official party "Guidelines"). Policy of collectivization was not abandoned but continued in more moderate and hidden way. One of its forms were impeding the marketing of land - only about 1/3 of the land acquired from individual farmers returned to other private hands. The rest increased the ownership of the socialized sector.

In addition, the socialist economy enjoyed privileged access to the scarce means of production. The investment inputs in the socialist sector, despite its lower efficiency of c. 70% of individual farms, were even 10-fold higher (Otoliński, 2002).

Deteriorating performance of the economy and spread of semi-legal political opposition culminated in the **“Solidarity” Spring and the later agony of the system (1980 - 1989)**.

During strikes of the Summer 1980, spread all-through Poland, famous “21 postulates” were formulated (the wooden table, on which they were written, is nowadays put into the “World Heritage List” of the UNESCO) and the final

agreement paved the way to formal recognition of the “Solidarity” trade union.

Another strikes, those ones of the peasantry in Southern Poland, led to the establishment of the “Solidarity of Individual Farmers” union.

Under the increasing political pressure, the authority decided to amend the law and put a clause on the durability of the peasant economy in the system of socialist state. The rural people took it with reserve, taught that the most solemn declarations of the authorities often fail to match with reality. That time a policy of collectivization, also this hidden, has come to an end, indeed. An important reason for that was the disastrous state of the economy, referred simply as a "mass of bankruptcy". Poland was the unique example in that part of the world of a country with the system of consumer goods rationing. Introduced in 1976, during the riots of workers in Radom and Ursus, initially only on sugar, it was subsequently extended to the whole range of products: meat, flour, alcohol, cigarettes, or shoes (Jeziński and Leszczyńska, 1997).

One of the chronic ills of those years was also the acute shortage of production means, not just machines or fertilizer but even so elementary as forks, or a twine to a sheaf-binder.

However, changes were conducive to revive the land market. The share of private farms in the agrarian structure increased from approx. 75% in the early 1980s to just over 80% in 1989, a year of the democratic breakthrough (Gaziński, 2010).

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Agricultural policy of People's Poland aimed - sometimes by hidden tools - to displace individual farms by the so-called socialized ones. An attempt was made to combine the gradual rebuilding of the agricultural system with an increase in agricultural production - these goals, however, proved to be inconsistent. Policies of that kind belonged to important causes of economic and social disturbances, occurring cyclically in Poland. In spite of unfavourable conditions, peasant farms showed their vitality and great adaptability. Their economic efficiency was greater than, preferred by authorities, socialized forms.

Polish economic collapse, including the ongoing food shortages have proved to be one

of the causes of **the democratic breakthrough of 1989**.

Towards democracy and market economy

In his expose in September 1989, Tadeusz Mazowiecki, the Prime Minister, declared departure from socialist system and the beginning of profound political and economic reforms. Thus the transformation of the system began, a reversal of what has been imposed in the first post-war years (Figure 2).

Political system:

- The totalitarian “dictatorship of proletariat” replaced by the parliamentary democracy.

Economic system:

- The Centrally Planned Economy converted into the market economy.
- Private ownership over-dominance in the national economy.

Figure 2. The system transformation - moving away from socialist regime

Such thorough changes were connected with costs - in 1990 GDP/caput fallen down by some 8% and by another c. 7% in the following year. But they were not evenly distributed. Mainly the poor were burdened by them, while some others quickly used the new opportunities to go forward, becoming much more prosperous. The initial enthusiasm for the change quickly extinguished, as unemployment (previously known only in the hidden form) spread and the differences in wealth (so far carefully concealed) deepened. Hence, despite the changes in the economic trend, GDP growth already recorded in 1992, in the following year post-Communists came into the power. In Copenhagen, in 1993, the European summit decided to put "green light" for aspiring to the EU membership post-socialist countries provided that they meet the relevant criteria. Subsequent positive opinion of the European Commission recognized that these basic requirements - for the implementation of democratic model of the state and concerning

the market economy, being able to compete effectively on the inner European market - have been met.

A local government reform has become an important development factor of agriculture and rural areas with the establishment of communes as independent entities, beneficiary with their own assets and budget.

The over-all legal system was submitted to a thorough change. The new law was monitored in terms of its compliance with the *acquis communautaire* of the European Union by the Office of the Government Plenipotentiary for European Integration and Foreign Assistance (since 1996 - Office of the Committee for European Integration), established at the beginning of the 1990s (Gaziński, 2002).

As a result of the system transformation, the existing ownership structure of the national economy was reversed. The cooperative property was recognized as a form of private ownership. Socialized sector disappeared, while the category of communal property emerged - unknown before and very important for grass-root development.

The system transformation completely changed the situation of Polish agriculture, despite the fact that private ownership prevailed in it, as opposed to the other bloc countries (Figure 3).

Poland	Hungary
<i>Private farms c. 75%</i>	<i>Cooperative farms c.75%</i>
<i>State farms c. 20%</i>	<i>State farms c. 20%</i>
<i>Cooperative farms c. 5%</i>	<i>Private farms c. 5%</i>

Figure 3. Poland’s vs. Hungary’s agrarian structure during the period of socialism

Different agrarian structure meant that ownership changes were relatively less of a problem than in other Eastern countries. An average statistics do not, however, reflect the spatial differentiation of agriculture. On the Western and Northern territories, incorporated to Poland after the war, state ownership exceeded 50%, while in old areas peasant farms prevailed (the highest in Ostrołęka region - approx. 95%). The collapse of state farms in areas where that property dominated resulted in increased unemployment, a problem which has remained unsolved for many years (inheritance of poverty and social exclusion). Also transfor-

mation of ownership in the agricultural and rural cooperatives was conducted not skillfully. One of major problem related to transformation was the economic environment of agriculture. Years ago, an employee of the Cooperative Institute in Budapest and later, in democratic Hungary, one of the ministers described it suggestively (Magyar, 1987): "In Poland there are no peasants. 'no peasants' is in this sense, as a lion in a cage at the zoo is not a lion – it is the king of beasts only in freedom". What for the lion cage bars, the dominance of the state over the purchasing of products and supplies of production means, as well as dictate of prices was for Polish farmers. The problem turned out to be more troublesome than shortages, so chronic in socialism because its solution is more difficult.

Pertinence of comments of Hungarian scientist was confirmed a few years later. Empty in the 1980s, shop shelves, became filled with goods within a few months after the release of prices. For the first time after the war (except of fruit or vegetables), farmers were confronted with the fact that the problem is not only to produce, but also to sell.

Serving rural areas, "Peasant Self-Assistance" Communal Cooperatives (network of shops and purchasing centers) and cooperative banks were abandoned. To fill the vacuum, private companies and large retail chains have started to operate. It was accompanied by deepening price gap between the price received the farmer for their products, and that one paid by the consumer.

It is worth to recall that the traditions of the Polish cooperative movement dates back to the nineteenth century, the time of partition. Decades of socialism, during which the margin for bottom-up initiatives was extremely narrow, caused however the existence of a generation gap in the cooperative movement. Moreover, bearing in mind the bad experiences of the past, the rural population treated attempts of reconstruction of cooperatives with reserve and distrust (Sobkó, 2002).

At the early stage of the system transformation, the need to establish some new institutions was recognized. The first one was the Agricultural Market Agency, followed by the two others: the Agricultural Land Property Agency and the Agency for Restructuring and Modernization of

Agriculture. In subsequent years, they have played an important role in fulfilling the tasks associated with the CAP.

Already in the initial period of changes, the opening of markets in international trade took place. Principles of the international trade were submitted to a thorough change. Previously, the right to conduct it had only specialized socialized foreign trade enterprises, now all registered firms could be involved in it (except the trading of weapons or medical drugs).

Because of the lack of the convertibility of the zloty, a complicated system of settlement of the transaction had been used: "plain" zloty in the internal market, "foreign exchange" zloty and "transfer" ruble in relations with socialist countries (except of China and Yugoslavia) and the settlement in foreign currency - with the rest of the world (Rosati, 1998). It was radically changed by the introduction of the currency convertibility.

The opening of borders has led to a temporary flood of Polish market by imported food. The positive food trade balance, existing for many years, has become negative.

The food industry in Poland took the facing challenge, however. Imported products, their method of packaging, labeling and batching (sliced ham or cheese) have become a model to follow. The high requirements of the European Union accelerated modernization of the food manufacture. Influx of foreign capital served as another stimulating factor. Therefore, in the period of some 15 years, preceding the Polish accession to the European Union, all branches of agro-food industry have been thoroughly modernized: dairy plants, breweries, meat processing or confectionery to settle for only a few examples. Rapidly increasing food exports recorded already in 2003, prior to EU membership, a positive trade balance – for the first time in many years. Poland came to the leadership in net exports of food in the region of Central and Eastern Europe, distancing Hungary (Siekierski, 2002).

The consequence of the collapse of socialism was also significant change in the directions of Polish foreign trade, which affected the agricultural products, as well. Previously the main direction of international trade, the COMECON was replaced by the Member Countries of the European Communities and

the Soviet Union - by Germany. The share of foreign trade in GDP was gradually increased.

Agriculture during pre-accession period

The Association Agreement signed in Brussels in December 1991 by Poland, Czechoslovakia and Hungary provided for the achievement of a free trade area within ten years. However, it did not apply to agriculture.

Part related to the trade, the Interim Agreement entered into force already in 1992, two years earlier than occurred all over the ratification of the Treaty. The principle of asymmetry stated that trade liberalization would proceed faster on the part of the European Communities.

Practice has proved to be different, though. Protective barriers within the CAP proved difficult to break through the Polish exporters. Subsidized export encouraged in turn to imports, especially that the Polish markets were more open. Moreover, subsidized by the Community food removed Polish exports from third markets such as Russia, were previously it increased rapidly.

The collapse of real socialism, and profound political changes associated with it, raised the need to make the right reaction from the European Communities. Already in 1989 a decision was made to launch the PHARE (Poland, Hungary Assistance for Restructuring their Economies) Programme. Then, it was extended to other countries. In the beginning, it was a temporary assistance programme, but in the final period being transformed into the first pre-accession programme (Backer et al., 2003).

A variety of activities were covered by the Programme, some of them – although to a limited extent – were related to agriculture and rural development.

In 1999, organizational and legal framework of the two pre-accession programmes: SAPARD and ISPA were approved. ISPA was applied exclusively to large infrastructure programmes, while SAPARD was related only to agriculture. During a period 2000-2006, 2.9 billion EUR were allocated for the SAPARD and the largest beneficiaries were Poland (1.1 billion) and Romania (700 million).

Candidate countries were allowed to make a choice from different 13 measures of the programme and to decide on the distribution of

the available financial resources on each of them (Table 1).

Table 1. Distribution of the SAPARD resources on different measures (%)

Measure	Bulgaria	Hungary	Poland	Romania
1	31	28	18	15
2	24	21	38	17
3				3
4	2	4	1	3
5	6	15	12	10
7	1	7		2
8	8	9		
11	4	2	2	5
12	6	12	28	28
13	5			3

Legend: 1 - investment in agricultural holdings; 2 - processing and marketing of agricultural and fishery products; 3 - support for quality assessment, veterinary and phyto-sanitary procedures and food control; 4 - environmentally sound agricultural practices; 5 - diversification of off-farm activities; 7 - setting up producer groups; 8 - revitalization of villages and protection of rural heritage; 9 - land consolidation and improvement of their quality, 12 - development of rural infrastructure; 13 - water resources management

Source: A. Jankowska, 2015, p. 26-27.

Four measures were implemented in each of the candidate countries:

- i) investments in agricultural farms;
- ii) processing and marketing of agricultural and fishery products;
- iii) diversification of economic activities;
- iv) development of rural infrastructure.

Romania selected 9 measures but for the above four allocated 70% of the available budget. In the case of Poland, 6 measures were chosen but the stated four consumed as much as 96% of the total sources.

Implementation of the programme revealed the difficulties, beneficiaries of EU funds will have to contend: excessive bureaucratic requirements (it happened that imposed national rigors were stricter than the EU ones), changes of regulations, or even the requirements of the provision of such documents for the past period, while their collection was not required.

Beneficiaries were also faced with the need of their own contribution to the project budget. The SAPARD programme turned out to be therefore more accessible to the economically stronger units.

Pre-accession programmes not only expand the possibility of funding a variety of projects to enable the modernization of agriculture and its economic environment (processing, marketing, environment protection, off-farm employment,

etc.). They played a significant role in the preparation for later use of EU funds, available to a greater amounts during the period of membership (implementation of appropriate procedures related to applying for funds, the implementation of projects and their settlement, as well as the creation of appropriate, specialized institutions, such as a certified national Paying Agency).

Agriculture was one of the most difficult areas of the accession negotiations, which is understandable, considering its share of the total EU budget expenditures.

In the document "Agenda 2000", adopted by the European Council in Berlin (Drago and Gaziński, 1998), it was decided that the new Member States will not have access to direct payments up to the end of the budgetary period, ie. 2013. The position was justified by the fact that the system was to offset the loss of income incurred by farmers due to the lowering of intervention prices within the framework of the CAP reform. Meanwhile, these prices were considerably lower in the candidate countries and that is why their membership would not result in reduction of agricultural incomes, but just opposite - their increase.

Such a point of view was not acceptable for the Polish negotiators. They emphasized that the deprivation to access to these subsidies could be described as an overt discrimination - farmers from the new MS would get a much lower level of global subsidies per 1 hectare of agricultural land than their partners from the "old" EU. And what's more, it was the farmers from the candidate countries to meet the competition in the European internal market and the high requirements of the EU standards - they had to bear a much greater effort to modernize their farms.

Finally arduous negotiations led to a compromise - starting from the year of the membership, the level of direct agricultural subsidies to be increased from year to year, to reach 100% in the last financial year, 2013 (Kałużyńska et al., 2014).

Agriculture under the CAP regulations

Unique concerning the scale of the EU enlargement from 15 to 25 (in 2004) and then to 27 (admission of Romania and Bulgaria) and

28 (from 2013, the adoption of Croatia) MS resulted in many other significant changes throughout the Union.

More than doubled employment in agriculture. Therefore, maintaining the same number of consumers in the EU-28 requires four times more agricultural employees than in the EU-12 (before the adoption of Finland, Sweden and Austria). Among the new entrants, Poland is the largest country (Table 2).

Table 2. Poland as a EU member. Some selected indicators (2014)

Item	EU	"Euroland" of EU-19	Poland
Population (million)	507.4	337.8	38
Labour productivity (EU = 100)	100	107.7	73.8
Unemployment rate (%)	10.2	11.6	9.0
Long-term unemployment rate (%)	5.1	6.1	3.8
Industrial production (2013 = 100)	101.1	100.8	103.4
R&D expenditures (as a % of GDP)	2.02	2.12	0.87

Source: Statistical Yearbook of the Republic of Poland, Warsaw 2015, p. 756-759.

In the first years of membership, agricultural subsidies were of particular importance as in the pre-accession period their level was low.

One of the issues raised in the first period of membership was, again, a way of calculating direct payments.

Reference yields, used to these calculations, as well as the cattle population based on historical data, caused the existence of considerable differences between the new MS and the EU-15 (in Poland they were then much lower).

Far greater employment in agriculture of new MS resulted in direct payments per AWU, the full-time employee (AWU - Annual Work Unit: equivalent to the time worked during the year by 1 person fully employed in agriculture. In Poland, 2120 hours worked during the year is adopted as a full-time equivalent) being up 9-fold lower than in the EU-15.

The relative over-employment in agriculture may be illustrated by a number of AWU/100 hectares. In the EU-12, it amounts to an average 10.5/100 hectares and is 2.5-fold higher than the EU-15 average. In absolute numbers, Poland and Romania are the two countries with the largest employment in agriculture - both account for more than 1/3 of

the total working population in the EU agriculture. Hidden unemployment in Polish agriculture that still occur, can be, according to some estimates, as high as some 2 million people. It is another side of the picture beneficial one - higher than the EU average share of young people employed in agriculture (Jankowska, 2015).

Small farms are dominating in some new MS, hence the average direct payment per farm is almost 13 times lower than in the EU-15. Differences of the agrarian structure and the level of development of agriculture resulted also in significant diversity within the level of payments among the new MS.

Continuous pressure from Polish negotiators, supported by other countries (agricultural commissioner was then D. Ciołoś), led to the changes that were adopted in February 2013. They include gradual equalization of payments in those MS in which they are shaped at a level below 90% of the EU average (this applies, among others, to Poland and Romania). In each of these countries by 2020, direct payments should reach a level of at least 196 euro/hectare. Some of the related costs are to be covered as a transfer from the budget of direct payments of the countries where they are at the highest level.

Some flexibilities to national solutions are also available. And so, countries with a level of direct payments below 90% of the EU average will be able to transfer up to 25% of the funds allocated to them for the second pillar of the CAP (rural development) to support the payments (Poślednik et al., 2014).

Despite the controversy due to the uneven access to direct payments they have contributed largely to the agricultural family income and closing the gap between agricultural families and other strata of the society (Table 3).

Table 3. Available monthly income in households/capita (PLN)

Item	2000	2005	2010	2014
Poland	611	762	1193	1340
Cities	695	867	1342	1516
Rural areas	483	593	953	1067
Self-employed	795	977	1496	1632
Employees	656	770	1199	1340
Farmers	456	606	1025	1051

Source: Compiled from: Sytuacja społeczno-ekonomiczna gospodarstw domowych w latach 2000-2011. Zróżnicowaniemiastowieś, Warszawa 2013, p. 24; Households Budget Survey ... Warsaw (different issues).

They also contributed significantly to the increase in the price of agricultural land, observed after joining the European Union. Expressed in current prices, the average price of agricultural land has increased from 8244 in 2005 to 32 317 PLN/hectare in 2013 (i.e. 3.9-fold). While the price of land measured in tons of rye increased in the same time from 23.78 to 50.57 t/ha, 2.2-fold increase (Statistical ..., 2015).

Another consequence of the widespread system of direct payments is slowing down the flow of land to larger and economically stronger farms (Table 4).

Joining to the European Union has enabled access to support from the second pillar of the CAP - the Rural Development Programmes.

Table 4. Size structure of agricultural farms in Poland (in %)

Year	total number (in thousand)	average farm size	below 5 hectares	5 – 14.99 hectares	15 – 19.99 hectares	20-49.99 hectares	above 50 hectares
1995	2 048	7.6	54.6	37.4	4.4	3.3	0.3
2000	1 881	8.0	56.4	33.7	4.5	4.7	0.7
2010	1 429	11.3	54.1	32.9	4.8	6.4	1.8
2014	1 413	11.5	53.1	32.3	5.0	7.3	2.3

Source: Statistical Yearbook of the Republic of Poland, Warsaw (cited from different issues)

As in the case of direct payments, the different conditions of agriculture resulted in the existence of disparities in the use of these funds in the individual MS (Table 5).

Table 5. Distribution of the resources of the Rural Development Programmes (period: 2004-2006)

Country	EUR/employee	EUR/hectare	EUR/farm
Czech Republic	21114.7	113.4	9664.9
Hungary	221.6	73.4	601.1
Poland	878.6	130.7	847.3
UE-10	1227.7	123.6	1081.9
UE-15	2443.8	116.9	2603.0
UE-25	2021.7	118.5	1999.5

Source: A. Jankowska, 2015, p.73.

In Poland as much as 56.5% of the total agricultural area was classified as belonging to the less favored areas (LFA), and as a result they received additional funds. This meant "blurring" the way of their spending, as covering very large area, result in not supporting enough those households that really were located in particularly difficult areas (Gaziński, 2006).

A significant budget resources of the EU were allocated during a period 2007-2013 for agriculture - nearly 79% of total 371.3 billion EUR for preservation and natural resources

management were reserved for direct payments and the market interventions. It was the first Multiannual Financial Framework fully covering the Poland's membership in the EU (Table 6).

Table 6. Allocation from the EU budget (million EUR) for agricultural sector for a period 2007-2013

Country	Direct payments	2-nd Pillar	Total
Bulgaria	2 489	2 609	5 098
- %	49	51	100
Hungary	6 493	3 806	10 299
- %	63	37	
Poland	15 039	13 230	28 269
- %	53	47	100
Romania	5 502	8 023	13 525
- %	41	59	100
EU-12	39 745	36 852	76 597
- %	52	48	100
EU-15	246 232	51 205	297 437
- %	83	17	100
EU-27	278 223	77 665	355 888
- %	76	24	100

Source: Compiled from: Jankowska 2015, p. 102

In the current budget perspective, Poland takes a position of the largest net beneficiary of EU funds (Table 7).

Table 7. Financial transfers EU – Poland (mln EUR)

Item	Period: 01.05.2004 - 31.12.2015	2016 (to 29.02.2016)	Total	Structure (%)
I. Transfers: EU – Poland	125733.8	3153.9	128887.7	100
in this: 1. Cohesion Policy	81178.4	2500.1	83678.5	65
2. Common Agricultural Policy	40181.3	646.9	40828.2	31.7
In this: i) Direct Payments	22008.9	554.3	22563.2	-
ii) Market interventions	1519.7	1.6	1521.3	-
iii. Rural Development Programmes	15824.3	86	15910.3	-
iv. Other transfers of the CAP	139.1	0	139.1	-
v. Support of fisheries	688.5	5	693.4	-
3. Other transfers	4374.1	6.90	4381	3.30
II. Transfers: Poland - EU	40377.6	913.9	41291.5	100
in this: i) payments to EU budget	40226.6	913.9	41140.5	99.6
ii) returns of the sources to EU budget	151	0	151	0.4
III. Balance (I – II)	85356.2	2240.0	87596.2	-

Source: Own calculations; Ministry of Finance, http://www.mf.gov.pl/c/document_library/get_file?uuid=65984a7c-1f8a-4a4d-ae71-65872c347e1c&groupId=764034

Rural Development Programme 2014-2020 is considered as a key integral element of the coherent policy of the overall country development. Its six formally accepted priorities cover: transfer of knowledge and innovations, increase of the competitiveness of the food sector, risk management, biodiversity and environment protection, promotion of low-emission economy, combating the climate change, reduction of a poverty and social exclusion. The total national budget of 13 513 295 000 EUR consists of the transfer from the EU: 8 598 280 814 and the co-financing from the national budget: 4 915 014 186 EUR to cover 15 different programmes (Ministerstwo ..., 2016).

Net support, obtained by Poland during years of the EU membership per 1 inhabitant amounts to approx. 2 250 EUR.

In the period 2004-2015, an annual average GDP growth was approx. 3.8%, resulting in

increasing the Polish GDP per capita from initial approx. 49% of the EU average to the current approx. 68% and the cumulative GDP growth amounted to almost a half (Czekaj, 2016; Figure 4).

Food exports should be recognized as one of the most spectacular achievements of the Polish food sector. To the end of 2015, i.e. during 11 years of membership in the EU, it amounted to approx. EUR 160.5 billion, which is 4.5-fold increase as compared with the year 2004 (Table 8). Due to these remarkable surpluses, the positive balance in the Polish foreign trade - for the first time for many years - was recorded in 2015, 8.3% of the yearly increase of total volume (of some 171.7 billion EUR) of the Polish export (Nużyńska and Poczta, 2014).

A good illustration of the undergoing changes in the directions of Polish exports is the issue of the Russian market.

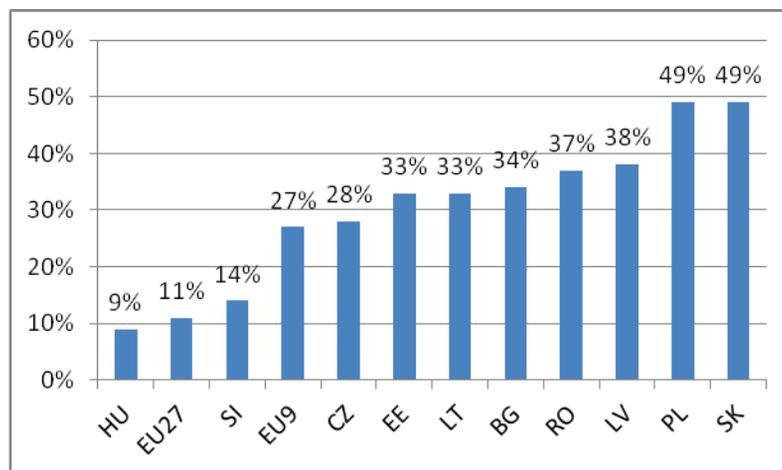


Figure 4. Cumulative GDP growth in the regions in the period 2004-2013 (2003 = 100)

Source: *Poland's 10 years in the European Union. Report*, Ministry of Foreign Affairs, Warszawa 2014, p. 59.

Table 8. Polish foreign trade of food and agricultural products (billion EUR)

Item	2001	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Export	4	5.2	7.1	8.5	10.1	11.7	11.5	13.5	15.2	17.9	20.4	21.9	23.6
Import	3.6	4.4	5.4	6.4	8.1	10.3	9.3	10.9	12.6	13.6	14.3	15.1	15.9
Balance	0.4	0.8	1.7	2.1	2.0	1.4	2.2	2.6	2.6	4.3	6.1	6.8	7.7
Value of export/capita (EUR)	.	137	187	225	264	307	301.29	351	395	454	518	569	613

Source: *Polski handel zagraniczny towarami rolno-spożywczymi w 2015 r.*, Agencja Rynku Rolnego, Warszawa 2016, p. 1; *Wymiana międzynarodowa. Inwestycje zagraniczne*, Central Statistical Office, Warsaw, www.strateg.stat.gov.pl/Home/Strateg (access: 12.04.2016)

After the disintegration of the SU and an introduction of changeable currency in settlements, the trade with Russia collapsed to a very low level. A dynamic reconstruction of that market has already occurred in the first years of transition. In the Kaliningrad District, close to Poland, the high quality products, imported from neighbouring Warmia and Mazury, dominated definitely on the shop shelves.

However, after a few years, that trade cracked, again. That time it was a competition from EU exporters, the domestic entrepreneurs - deprived from export subsidies - could not cope. The troublesome constraint ended while Poland became a member of the EU - a value of Polish food exports rocketed-up during a period of 2004-2013 from 400 to 1300 million EUR. And Russia occupied the third place as the largest importer of Polish food products (after Germany and the UK).

Once more, that state was disturbed - by a Russian embargo on food from the EU, the US, Canada, Australia and Norway, introduced on 7-th July 2014. Around a half of afflicted products were of Polish, Lithuanian or German origin. It is estimated that the ban covered a variety of exported products valuing above 800 million EUR, some 62% of the total Polish food export to Russia. The most exposed to the restraint were fruits, vegetables, dairy and meat products (Wysokiński and Braun, 2015). Diversification of exports, search for new directions of trade and promotion of inner consumption was applied as a remedy. This refers especially to apples and their products (expansion of cider, little known before at local market, and even a slogan: eat an apple - to make Putin angry).

Experiences of making business with Russia, briefed above, confirms that the most important trading partner for Poland is the inner EU market. Moreover, this is an area with which Poland, for years, has achieved a positive trade balance – in the context of negative results at the other directions, including with Russia this is not to be overestimated.

CONCLUDING REMARKS AND OPINIONS

The process of adaptation to the conditions of the EU membership did not begin with the

accession, but actually lasted from the fall of socialism, which is nearly 15 years. The transition to a market economy, suitable for individual farming for breaking with previous discrimination, did not take place, however, without many problems. They were especially severe in those areas where the socialized sector was strongly dominant. As yet, they have not been effectively solved - sociologists speak even in terms of their inheritance for the next generation. The peasant economy has also been affected. In areas with fragmented agrarian structure, where a farm size was too small to provide family existence, the phenomenon of so-called peasant-workers was widespread. Privatisation processes resulted in the collapse of a number of state-owned enterprises and the related unemployment. As having another source of income, peasant-workers lost the work in the first instance, with a resultant forces to return to their overpopulated households. One of the consequences was the exodus, especially young people, to work abroad. Related social issues have not been combated as yet - the direct payments of the CAP are treated by the small-scale farmers as a kind of a social rent, slowing down the processes of the agricultural land concentration. Economists estimate that, in Polish conditions, prosperous farms should have an acreage of at least 30 hectares, and there are no more than approx. 100 000 of such farms from the total number above 1 400 000.

During years before the accession, rural Poland was afraid about the European integration. Farmers were strengthened in these feelings by a flood of cheaper imported foods and the difficulties encountered by them in selling their products on the EU market. A significant liberalization of foreign trade, introduced in the initial period of transformation, paved an easy access of imported food on the Polish market. Polish food export, from another side, met constraints of the restrictive CAP.

Furthermore, farmers were aware that, in comparison with their counterparts from the Union, their farms are outdated and the labour efficiency lags behind. In addition, the reality of the principle of financial solidarity and the prospect of significant support to agriculture and rural areas from the EU budget seemed to be an unrealistic perspective.

In overcoming prejudices, a lot of work performed Agricultural Advisory Centers and a number of other institutions. Many information actions, as well as other programmes, were financed by the European Union and other sources of international support.

Obtaining at the eve of accession to the Union, in 2003, the positive balance in the food trade – for the first time in many years – may be a symbolic sign of a good preparing of the agriculture for the membership.

Farmers, as well as the entire food sector quickly adapted to the new rules of the game set by the CAP, as well as a number of other EU procedures.

A necessity of the co-financing of a number of EU programs has forced, moreover, the larger flow of funds from domestic sources to the countryside and agriculture.

Agriculture has become one of the most important beneficiaries of the European integration. One can cite numerous examples to support that: modernization of farms, inland and marine fisheries, developments in the food manufacture. During a period of the EU membership dynamics of an increase of agricultural incomes overtook these ones of the national average and of the urban population. Remarkable improvements can be reported in the infrastructural facilities and the human capital. More care, than previously, is disclosed in protecting the environment and preserving the cultural heritage of the village. One of the manifestations of these changes is that in recent years more people settle in the rural areas than leaving them for the cities. Moreover, a support among farmers for the Union membership exceeds the national average and also they are more likely to declare a satisfaction with their social role and affirmation for living in the countryside.

The EU support under the CAP measures and other funds is focused on bridging the gap between poorer regions and those ones more prosperous. However, such an objective can be eventually recognized as a half-success. Richer and better developed regions are more skillful in efficient use of the available opportunities and are "moving forward" faster. Therefore, the occurred distance is not only in decline, but even deepening. This is confirmed by selected

indicators of economic and social development, such as GDP/person.

The large influx of aid funds caused their spending in such programmes, where it is relatively easy to consume - as infrastructure development. With this, it is not always rational spending as kilometers of glazed fences along the highways to protect against noise fields and unpopulated areas, or the launch of the new local airport, which in 2015 paid off only approx. 500 passengers.

In part the same can be referred to agriculture. Special support for organic farms caused their dynamic growth. But often they are not involved in keeping livestock, according to one features of that style of agriculture, and in some cases they seem to be specialized, but rather in obtaining EU subsidies.

In some 15 years after the collapse of socialism but before the accession, farmers were exposed to the market rules, being paid for what was supplied from a farm. Today, they are paid as well for what they do not produce – the share of subsidies in farm incomes is so significant that it can be compared to life on a drip.

In practice, despite the announced measures simplifying bureaucratic procedures, farmers are experiencing something quite opposite.

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Polish farmers have adapted to new conditions largely exploiting the opportunities afforded by the European integration. They compete effectively, but largely due to their less-paid work.

Since 1989, Poland benefited from the two driving forces of her development. At first, it was the transformation as such, the replacement of the generally worse system by a more efficient one. In the years preceding the accession and the first decade of the EU membership, such a strong impetus of development was European integration - it means not only the flow of development aid, but also accelerated somehow modernization of economic and social structures, and the state itself.

Today, however, we enter into a third period - the one in which inner development potential will count, inherent not only in natural resources but human ones, as well. What is needed is a new philosophy of development,

not only for rural areas and agriculture, not only for Poland, but throughout the Union facing the new challenges of a changing world. In this process, changes in the CAP and shaping the future of the European Union - for several years - Poland is also involved. But so far, this contribution is not sufficient.

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